THE FREEMAN

IDEAS ON LIBERTY

Ludwig von Mises:
Wisdom of a "Liberal" Giant

What We Know,
When We Know It

Free Trade and
Human Rights in China

The Moral Obligations of Workers

MAY 1997

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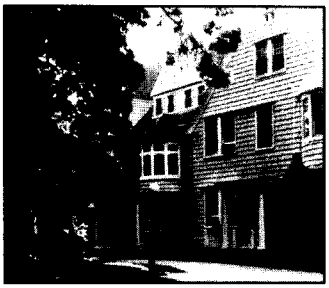

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PERSPECTIVE

George Washington on The Role of Government

Lost in the fog of another presidential election year was the fact that 1996 was also the bicentennial of one of the greatest speeches ever made by an American president: George Washington's Farewell Address to the Nation in September of 1796. Reviewing some of the highlights of Washington's last presidential address sadly reminds us of how the American republic, as envisioned by the founding fathers, has been lost. But it also serves as an eternal road map for regaining our freedoms.

Though he was the most famous military leader of his time, Washington disdained the existence of a permanent military establishment. "Avoid the necessity of those overgrown Military establishments," he said, "which, under any form of Government, are inauspicious to liberty, and which are to be regarded as particularly hostile to Republican Liberty."

It is wise to assume that all politicians are liars, Washington advised, for "one of the expedients of Party to acquire influence, within particular Districts, is to misrepresent the opinions and aims of other Districts." Special-interest groups may "now and then answer to popular ends," but as a rule they should be despised. For they inevitably "become potent engines, by which cunning, ambitious and unprincipled men will be enabled to subvert the Power of the People, and to usurp for themselves the reins of Government." It is "the interest and duty of a wise people," moreover, to "discourage and restrain" government power by every available means.

Washington would be appalled at all the foreign campaign contributions solicited by today's politicians, for such solicitation "opens the door to foreign influence and corruption," whereby "the policy and the will of one country, are subjected to the policy and will of another."

The "Great rule of conduct for us" in foreign affairs ought to be to trade with other countries, but "to have with them as little

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political connection as possible" and to "steer clear of permanent Alliances, with any portion of the foreign world" except in the case of extraordinary emergencies.

Modern-day "judicial activism" would likely cause Washington to reach for his sword, for he believed it to be a devious means of constitutional "change by usurpation" and a dire threat to liberty. Judicial activism is nothing less than "the customary weapon by which free governments are destroyed."

On economic policy George Washington favored strict laissez faire. Our commercial policy should "hold an equal and impartial hand: neither seeking nor granting exclusive favors or preferences" to anyone. Instead, we should rely on "consulting the natural course of things" and "forcing nothing" by legislation and regulation.

In Washington's eyes, a laissez-faire economic policy, minimal military establishment, the absence of entangling political alliances with foreign nations, and a Constitution that would perpetually confound special-interest politics and keep the size and scope of government to a bare minimum were essential to "prevent our Nation from running the course which has hitherto marked the Destiny of Nations." This message is just as important to Americans in 1997 as it was in 1797.

—THOMAS J. DILORENZO

Dr. DiLorenzo, a professor of economics at Loyola College, Baltimore, Maryland, is this issue's Guest Editor.

Jefferson on States' Rights

Resolved, That the several states composing the United States of America are not united on the principle of unlimited submission to their general government; but that by compact under the style and title of a Constitution for the United States and of amendments thereto, they constituted a general government for special purposes, delegated to that government certain definite powers, reserving each state to itself, the residuary mass of right to their own self-government; that whensoever the general government assumes undelegated powers, its acts are unauthoritative, void, and of no force: That to this compact each state acceded as a state, and is an integral party, its co-states forming, as to itself, the other party: That the government created by this compact was not made the exclusive or final judge of the extent of the powers delegated to itself; since that would have made its discretion, and not the Constitution, the measure of its powers; but that as in all other cases of compact among parties having no common judge, *each party has an equal right to judge for itself. . . .*

—THOMAS JEFFERSON,
Kentucky Resolution of 1798

Parchment Promises

I have no faith in parchment, sir, I have no faith in the abracadabra of the constitution; I have no faith in it. . . . If, under a power to regulate trade, you draw the last drop of blood from our veins; if . . . you draw the last shilling from our pockets, what are the checks of the constitution to us?. . . . When the scorpion's sting is probing us to the quick, shall we pause to chop logic? Shall we get some learned and cunning clerk to say whether the power to do this is to be found in the constitution, and then, if he, from whatever motive, shall maintain the affirmative, like the animal whose fleece forms so material a part of this bill, quietly lie down and be sheared?

—JOHN RANDOLPH,
commenting on the Tariff of 1824

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THE FREEMAN
IDEAS ON LIBERTY

Free Trade and Human Rights in China

by James A. Dorn

The best way to promote human rights around the world is to promote free trade. Trade liberalization improves ties among nations, increases their wealth, and advances civil society. Protectionism does the opposite. Governments everywhere need to get out of the business of trade and leave markets alone. Western democratic governments, in particular, need to practice the principles of freedom they preach and think of free trade not as a privilege but as a fundamental human right.

A free-market approach to human rights policy does not mean an attitude of indifference toward human rights abuses. Using slave labor or political prisoners and compelling very young children to compete in international markets are wrong. But blanket restrictions, such as the denial of most-favored-nation (MFN) trading status or the use of sanctions not directly targeting the wrongdoers, should be avoided. The problem is that even limited actions are very difficult to enforce and unlikely to bring about political change in an authoritarian regime.

Protectionist measures are more apt to radicalize than liberalize closed societies. The logical alternative is to use the leverage of trade to open authoritarian regimes to market forces and let the rule of law and democratic values evolve spontaneously as they have in Chile, South Korea, and Taiwan. The expansion of markets creates a culture of commerce and economic liberty that naturally spills over to social and political life. As people become freer in their economic life, they will demand greater autonomy in other areas, including a stronger voice in government.

Free Trade as a Human Right

The proper function of government is to cultivate a framework for freedom by protecting life, liberty, and property, including freedom of contract (which includes free international trade), not to use the power of government to undermine one freedom in an attempt to secure others. The right to trade is an integral part of an individual's property rights and a civil right that governments should protect as a universal human right.

Market exchange rests on private property, which is a natural right. As moral agents, individuals necessarily claim the right to liberty and property in order to live and to pursue their interests in a responsible manner. Governments should afford the same protection to economic liberties, including free international trade, as to other liberties.

Restrictive trade practices impede not only the flow of goods and services but also the exchange of information and the transmission of values that occur with free markets. When market exchange opportunities are curtailed,

James A. Dorn is vice president for academic affairs at the Cato Institute. This essay is a condensed version of his article in the Spring/Summer 1996 Cato Journal.

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"Restrictive trade practices impede not only the flow of goods and services but also the exchange of information and the transmission of values that occur with free markets. When market exchange opportunities are curtailed, government power grows, with adverse effects on human liberty."

government power grows, with adverse effects on human liberty. Likewise, when markets expand, individuals gain autonomy and government power diminishes. People become less dependent on the state and more dependent on one another when markets open and protectionism declines. A case in point is China.

The Chinese Experience

Before China's open-door policy, initiated in 1978, the Chinese Communist Party (CCP) had a monopoly on economic, social, and political life. China isolated itself from the West, and the Chinese people had little opportunity to expand their horizons. The repressive system of communal farming prevented China's large rural population from determining its own fate, and state enterprises made the urban population totally dependent on government. The lack of an alternative to the centrally planned economy made China a giant serfdom where individuals had little hope of improving themselves and their families.

After 1978, China's economic reforms—which liberalized trade, ended collectivized farming, and created new employment opportunities outside the state sector—freed millions of people from the iron grip of the CCP. The return of farming to families under the household responsibility system (*baochan daohu*) changed the whole dynamic of economic, social, and political life. The state was no longer the master for the 80 percent of China's population that lived in rural areas. Farmers became risk-takers, created new markets, developed rural industries, and migrated to urban areas. They and their families were no longer slaves to the state: they resisted coercion and initiated what Kate Xiao Zhou calls "a spontaneous, unorganized, leaderless, nonideological, apolitical movement" that transformed the old communist system and enhanced human rights.[1]

The quiet revolution that has been taking place in China's economy since 1978 is combining with the information revolution to strengthen the fabric of civil society, especially in China's southern coastal provinces. Commenting on China's cultural transformation, Jianying Zha writes in her book *China Pop*, "The economic reforms have created new opportunities, new dreams, and to some extent, a new atmosphere and new mindsets. The old control system has weakened in many areas, especially in the spheres of economy and lifestyle. There is a growing sense of increased space for personal freedom."[2] Anyone who has visited China and seen the vibrancy of the market, the dynamism of the people, and the rapid growth of the nonstate sector will concur with Zha's cautious optimism.

Commercial life in China is evolving naturally as people flee the countryside for improved living conditions and the chance to strike it rich in the growing nonstate sector.[3] If this current growth continues, by the year 2000 nonstate enterprises will account for more than two-thirds of China's industrial output and as much as 40 percent of China's gross domestic product.[4]

The liberalization and decentralization of economic life in China has widened the scope for civil society. Princeton University professor Minxin Pei believes that the gradual

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"The full range of human rights will come to China only when property rights are treated as fundamental civil rights and when civil rights are protected by the rule of law."

development of China's legal system toward affording greater protection for persons and property, the growing independence and educational levels of members of the National People's Congress, and the recent experiments with self-government at the grassroots level will help move China toward a more open and democratic society. He points to the upward mobility of ordinary people, occasioned by the deepening of economic reform, and to the positive impact of trade liberalization on political norms. In his view public opinion and knowledge of Western liberal traditions, such as the rule of law, "have set implicit limits on the state's use of power" and have promoted the democratization of the legal system. There has been a sharp rise in the number of civil lawsuits against the state, and individuals are winning about one-fifth of their cases, according to Pei.[5]

Of course, as long as the CCP stands in the way of private property and the rule of law, China will continue to experience corruption, and the future of freedom and civil society will remain precarious. But isolating China, by the use of trade sanctions or by denying China MFN trading status, would only make matters worse and slow political change. Trade has a civilizing influence, and that influence is more likely to change China than foreign intervention and protectionism.

The Civilizing Influence of Trade

Commerce brings people together, not only to trade goods but also to exchange information. Trade liberalization helps to depoliticize economic life, widen human experience, and reduce the threat of war. Peace and free enterprise tend to reinforce each other. When countries restrict foreign trade, they reduce wealth, diminish freedom, and increase the likelihood of conflict. They also block the natural formation of civil society, which is fostered by the growth of commerce. Traders find it in their own self-interest to treat their customers with respect. Good manners and good business go hand in hand; commercial society and civil society are inseparable. Trade also fosters the rule of law as people find it useful to accept common rules, respect one another's rights, and be generally tolerant.

In *The Wealth of Nations* (1776), Adam Smith described how the development of commercial life in Europe "gradually introduced order and good government, and with them, the liberty and security of individuals."[6] Likewise, the English liberal Richard Cobden wrote in his 1835 pamphlet *England, Ireland, and America*, "Commerce is the grand panacea, which, like a beneficent medical discovery, will serve to inoculate with the healthy and saving taste for civilisation all the nations of the world." According to Cobden, "not a merchant visits our seats of manufacturing industry, but he returns to his own country the missionary of freedom, peace, and good government."[7]

Harvard economist Robert Barro's recent empirical work, summarized in *Getting It Right*, shows that earlier writers were correct in seeing a close relation between free trade and free people. Barro finds "that improvements in the standard of living . . . substantially raise the probability that political institutions will become more democratic over time." He argues:

> The advanced Western countries would contribute more to the welfare of poor nations by exporting their economic systems, notably property rights and free markets, rather than their political systems, which typically developed

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after reasonable standards of living had been attained. If economic freedom can be established in a poor country, then growth would be encouraged, and the country would tend eventually to become more democratic on its own.[8]

Conclusion

Trade policy and human rights policy should not be yoked. Imposing punitive tariffs on China by removing MFN trading status or using other restrictive practices to sanction China for human rights violations will do more harm than good. As Kate Zhou has shown in the case of China, "commercial activity is liberating" and "a major way out of governmental control."[9] We should not lose sight of that lesson in the pursuit of some "feel-good" policy that has little chance of changing China's political climate but will devastate its blossoming market sector. Keeping people in China and elsewhere in poverty by restricting their human right to trade is neither ethical nor logical.

What China needs is a new system and a new way of thinking. The full range of human rights will come to China only when property rights are treated as fundamental civil rights and when civil rights are protected by the rule of law. As Harry Wu, a former political prisoner in China, put it, "Until private ownership is allowed on a wide scale, genuine liberalization—representative government, free markets and individual rights—will remain elusive" in China.[10] □

1. Kate Xiao Zhou, *How the Farmers Changed China* (Boulder, Colo.: Westview Press, 1996), p. 4. According to Zhou (p. 10), "*baochan daohu*, markets, rural industry, and migration all reduced official control over people's lives, particularly rural people's lives. This great increase in autonomy surpassed anything experienced before in the People's Republic."
2. Jianying Zha, *China Pop* (New York: The New Press, 1995), p. 202.
3. The nonstate sector consists of all enterprises not directly controlled by the central government or by provincial governments. Nonstate enterprises include urban and rural collectives (of which township and village enterprises are particularly important), individually owned enterprises, foreign-owned enterprises, and joint ventures. Unlike state-owned enterprises, collectives face a hard budget constraint and are primarily market driven. See Michael W. Bell, Hoe E. Khor, and Kalpana Kochhar, *China at the Threshold of a Market Economy*, Occasional Paper 107 (Washington, D.C.: International Monetary Fund, 1993), p. 13.
4. *Ibid.*
5. Minxin Pei, "Economic Reform and Civic Freedom in China," *Economic Reform Today*, No. 4 (1994), p. 12.
6. Adam Smith, *The Wealth of Nations*, edited by Edwin Cannan (New York: The Modern Library, 1937), p. 385.
7. Richard Cobden, "Commerce Is the Grand Panacea," in David Boaz (ed.), *The Libertarian Reader* (New York: The Free Press, 1997), pp. 320–21.
8. Robert J. Barro, *Getting It Right: Markets and Choices in a Free Society* (Cambridge, Mass.: The MIT Press, 1996), p. 11.
9. Zhou, p. 100.
10. Harry Wu, "A Chinese Word to Remember: 'Laogai'," *Washington Post*, May 26, 1996, p. C7.

At What Price Will The Gold Standard Return?

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—Mark Skousen, author of **Economics of a Pure Gold Standard**

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What We Know, When We Know It

by Llewellyn H. Rockwell, Jr.

To outsiders, mainstream economics can look strange and obscure, or even silly and pointless. The mathematical techniques that dominate most academic journals can be intimidating in themselves. And they are all the more alarming since the subject matter of economics—people who buy, sell, invest, and work—doesn't seem to lend itself to a wholly mathematical rendering. Physics and chemistry, yes. But economics deals with people and their choices under constraints. Shouldn't their actions require logical and not mathematical explanations?

Indeed they should, and the best and most influential economists in history have always used words, not equations, to express their ideas. Sadly, the profession took a turn for the worse in the postwar era, and having exalted Keynesian-style policies, hailed measurement and calculus as the essence of all science, even when that science deals with society itself.

In pursuit of this goal, economics became more and more detached from reality and, therefore, from good sense. Economists have dealt with this problem by a professional flight into obscurantism. They began to talk only to each other, because only members of the club could understand and appreciate the peculiar language and the accepted bounds of theorizing. That pattern still dominates.

Sometimes economists emerge from their self-imposed exile from reality to speak about everyday issues. More often than not, however, they do so only for the purpose of criticizing rival schools of thought. (Think of MIT's Professor Paul Krugman, one of the profession's leading lights. Most of his popular articles do nothing but bash supply-side economics as silly and unscientific.) H.L. Mencken said modern philosophy consists of one philosopher trying to show that some other philosopher is a jackass, and proving it beyond all doubt. Much the same could be said of economics.

When the Nobel Prize committee awards its economics prize, reporters attempt to sum up the winning insight in plain language. Invariably, the result is so banal and ridiculous that people wonder why such a prize was instituted in the first place. People think: Physicists are solving mysteries of the universe, medical researchers are discovering new cures, writers are entertaining us, but what are economists doing? They are merely confusing us, and for this they get a prize.

Sadly, this was the story again in 1996. James Mirrless of Cambridge University and the late William Vickrey of Columbia University won for their work in "information asymmetries." The inevitable public confusion that followed wasn't the fault of the media, which tried to present their theoretical apparatus fairly. The fault lies with economists, who for decades have held on to a theory of human behavior so absurd that it

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took little more than the application of good sense to correct it, although much more correction is needed.

Information Asymmetries

What are information asymmetries and what did Mirrless and Vickrey say about them? These economists described, in highly mathematical terms, what happens when participants in a market exchange have different kinds and incomplete levels of information. Company managers know more about the firm's prospects for future profitability than stockholders do. A person buying insurance knows more about the potential risks than the insurer. The used-car dealer knows more about the quality of the car than the buyer.

According to mainstream economic theory, these information asymmetries are something to fret about, because they produce bumps on the economic road. If you're a stockholder and you think the managers are holding out on you, you may not buy the stock, even if you are wrong in your assumption. In other cases, asymmetries can cause people to do things they shouldn't, like buy lemons instead of well-functioning cars.

The 1996 Nobel laureates have explored the issue at great length. For example, they have argued that information asymmetries in the insurance market can lead to moral hazards. An insurer might offer a policy that pays for doctor visits, but he doesn't know that the policyholder plans to respond to the prospect of free care by eating junk food and becoming a couch potato. This is a strategic response, but it causes other insurers to overcompensate by making premiums higher than they probably should be (in the assessment of economists).

Mirrless and Vickrey also explained that the free market has many ways of responding to the risks posed by information asymmetries. Each party can learn from bitter experience what kind of information he needs to make a profitable exchange.

The stockholder can demand more information about the way a company is run before he buys its stock. An insurer can demand more detailed information about a person before extending coverage. A used-car buyer can develop a more sophisticated understanding of automobile technology, and of the tricks of the trade.

Can Government Fix the Problem?

Yet it's easy to see why the theory of information asymmetries, even when given a free-market spin, is menacing. If people in the marketplace are flying blind when making such crucial decisions as whether to buy or sell fire insurance, isn't there a role for government in fixing the problem? That's the logic that led to "lemon laws" mandating used-car dealers to guarantee the quality long after the deal is made. Indeed, the information-asymmetry literature has collapsed into yet another variation on the "market failure" theme composed by economists back in the 1950s.

According to this view, the free market only takes us so far in eliminating differences in the information people have. Interventionists claim, and correctly, that perfect information is hard to achieve through voluntary efforts. So they take the next step: Government should guarantee full information. Thus our economy should be burdened by thousands of requirements that order business to provide full disclosure, even when consumers or stockholders are not particularly interested in getting it.

The warning labels you see on every product from wine to sunglasses are inspired by the view that consumers have no other way of getting necessary knowledge. Every day, we are bombarded with government-mandated information: how much fat is in our food, that so-and-so is an equal opportunity employer, that the terms on a car loan are subject to various constraints, and so on. The idea is to "protect" the consumer, who the government presumes can't get the information he needs to make intelligent choices. We hear it all so often, we stop paying attention.

The regulations also presume that business is a vast conspiracy designed to hide information from the buying public, yet the reverse is the case. The whole point of advertising is

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to bring knowledge that a producer has about his product to the consuming public. What's more, business undertakes this information-disseminating job at its own expense. Under capitalism, we get most of our information for free, and then decide whether to act on it.

Let's contrast this with the information confusion inherent in any political race. In the 1996 campaign, the Clinton campaign said that the Dole campaign's tax plan didn't add up, a charge which the other side disputed. The dispute couldn't be resolved because the different camps used different assumptions about how taxpayers will respond to changes in the tax code. Voters had no way of knowing who was right.

With lower taxes, will taxpayers work harder to make more money, or will they choose to "purchase" more leisure with their higher incomes? Depending on the choice, government revenue can go up or down by tens of billions of dollars. The trouble is that no one knows in advance what people will do. There's an information asymmetry between the candidates and the taxpayers, i.e., the people who will actually have to live and work under the new tax environment the politicians are proposing.

Now, this may appear to be much ado about nothing, and in many ways, it is. For there are two assumptions behind this information literature that are never proven. First, that all parties affected by an economic exchange need perfect information. Second, that the job of economists is to see that people get it, someway, somehow.

But these assumptions are absurd. The future is always and everywhere uncertain, as every investor or stock trader knows. We can know that certain causes have certain effects (below-market price ceilings cause shortages), but we cannot know with certainty at what time, by how much, or how people will respond to any change in economic life. This is why economists' qualitative predictions about the future can never be precisely on target.

Ask a mainstream economist why his most recent prediction didn't pan out, and he will always say: trends changed. That's precisely the point. Trends are forever changing. "However complete and recent statistical information may be," writes Ludwig von Mises, "it always remains information about the past and does not assert anything about the future."

The Uncertainty of the Future

In fact, information asymmetries don't exist in some markets. They exist in all of them. They are built into the very fabric of human life. As Mises said, "the uncertainty of the future is already implied in the very notion of action." The future "can never be foretold with more than a greater or smaller degree of probability." Oddly, this is a truth that the economics profession has long rejected (or, more accurately, not thought much about) in its futile search for theory analogous to physics.

Neither is government any help. If the market is pervaded by uncertainty and incomplete information, the government is even more so. Officials have virtually no incentive to discover true information, one of many reasons why everything they do brings about sheer waste and inefficiency.

Moreover, there is no reason to think incomplete information is normatively objectionable (yet another hidden assumption in this literature). Let's look back to St. Thomas Aquinas's famous example of the desperately thirsty man buying water from a single supplier. The supplier knows that many other suppliers are on their way, but doesn't reveal this fact so he can command the highest possible price. In St. Thomas's opinion, the water supplier has no obligation to reveal all his information, though he considers it to be an act of charity if he does.

There are other cases when incomplete information should not be "overcome," but rather protected and guarded. In the early sixties, Walt Disney had the dream of building a fabulous Florida theme park encompassing 45 square miles. The trouble he faced was in acquiring the property, which was selling for about $400 an acre. If the existing landowners learned what was afoot, the price of the land would have skyrocketed. Instead, Mr. Disney

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created 100 corporate fronts, and sent them on a secret land-buying spree.

As Walt Disney knew, there is no moral obligation to reveal all your future intentions unless that is an explicit part of the contract. More to the point, neither party can necessarily know what the future holds. The very existence of the market for stock futures is made possible only because people have different expectations about the future value of the price of the stock. In the never-ending process of market valuations, we are all constantly changing our expectations. The market is a process that constantly adjusts what we know and when we know it.

What Professors Mirrless and Vickrey have done is provide an incomplete corrective to a badly flawed economics paradigm. But more is needed: The paradigm should be overthrown and replaced by a more realistic theory that goes to the heart of what economics should be attempting to do. Economics should not be creating other-worldly mathematical models that have nothing to do with human action, and calling in the state to make the real world conform. Economics should deal with people and their world as they are, alleged imperfections and all.

A minority of the profession is already interested; witness the flowering of the Austrian School, which works in the tradition of Professor Mises's writings. This tradition rejects the goal of perfect information, and offers a theory that understands how markets can use the uncertainty of the future to the benefit of all, while never invoking the government as a means for achieving the unachievable. □

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THE FREEMAN
IDEAS ON LIBERTY

Wisdom of a "Liberal" Giant

by William H. Peterson

He knew Milton Friedman, Henry Hazlitt, William F. Buckley Jr., Ayn Rand. He was the mentor of F.A. Hayek, who went on to win the Nobel Prize in economics. He was a key teacher of Gottfried Haberler of Harvard and Fritz Machlup of Princeton, each of whom went on to become president of the American Economic Association. That association appointed him distinguished fellow. His name adorns a think-tank at Auburn University, a professorial chair at Hillsdale College in Michigan, a library building at Francisco Marroquin University in Guatemala.

In 1920 he foresaw the end of the Soviet Union for its lack of market calculation. A prominent Polish socialist economist, Oskar Lange, conceding the lack but holding it could still be met, proposed a statue in his honor.

In 1949 he set forth a monumental book on philosophy, economics, and politics, *Human Action*, now out in a fourth revised edition prepared by Bettina Bien Greaves (The Foundation for Economic Education, Irvington-on-Hudson, N.Y., 928 pages, $49.95). Other editions have been published in German, French, Italian, Spanish, Portuguese, Chinese, and Japanese.

Yet he has been largely ignored by professional economists who feel he is too "literary," too "nonquantitative," too down on "macroeconomics," too opposed to "social engineering" by the state. First-edition reviews were mixed. Vermont Royster praised the book in the *Wall Street Journal*, John Kenneth Galbraith panned it in the *New York Times*. Yet *The Economist*, while wary of the work's libertarian implications, still said: "Intellectual power roars through it like a great wind; it has the impetus of a first-rate polemic and the impeccable coherence of Euclid."

He is Ludwig von Mises (1881–1973), the modern leader of Austrian free-market economics.

The Nazis had three strikes against him: he was a Jew; he was anti-socialist and championed the free market; and he refused to compromise. In 1938 the Nazis confiscated the contents of his apartment in Vienna. (His personal papers were in turn seized by the Soviets and preserved in Moscow. These newly discovered treasures should soon be available to the world.)

Soon after the fall of Paris in June 1940, he and his wife, Margit, bravely fled from Switzerland through occupied France to America.

Human Action says it all. It is a paean to freedom and free enterprise, a classic on voluntarism and laissez faire. In it Mises employs an odd word, praxeology, as the science of human action or choice. He says the drive behind choice is ineptly described as the profit motive even though the end of any action is always satisfaction of some desire of man—ever choosing, acting, rejecting.

Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All

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human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. (p. 3)

Choosing reflects man's free will, ongoing reasoning, subjective evaluation: a process of continual removal of felt uneasiness. The process evidences the fact that man thinks, that thought distinguishes him from the lower animals.

Man is a being capable of subduing his instincts, emotions, and impulses; he can rationalize his behavior. He renounces the satisfaction of a burning impulse in order to satisfy other desires. He is not a puppet of his appetites. A man does not ravish every female that stirs his senses; he does not devour every piece of food that entices him; he does not knock down every fellow he would like to kill. He arranges his wishes and desires into a scale, he chooses; in short, he acts. (pp. 16-17)

What also distinguishes man is his very social being. He engages in extensive human interaction, including unforced exchanges of goods and services. Society, says Mises, is social cooperation, concerted action, division of labor, and combination of labor. Even so, he rejects a line by the politically correct who see society as a thinking entity and say "society believes this," or "society thinks that."

It is always the individual who thinks. Society does not think any more than it eats or drinks. The evolution of human reasoning from the naïve thinking of primitive man to the more subtle thinking of modern science took place within society. However, thinking itself is always an achievement of individuals. There is joint action, but no joint thinking. (p. 177)

The politically correct also confuse society for the state and use the two terms interchangeably. Too, oblivious to what Hayek called "the fatal conceit," they confuse the role of government in society and endow it with omnipotence and benevolence, see it as a somehow wise and compassionate Santa

Ludwig von Mises

Claus. Mises does not share the confusion. He condemns the modern revival of collectivism as "the main cause of all the agonies and disasters of our day." He asks the politically correct to rethink the nature of man, state, and society in light of Adam Smith's "invisible hand" of self-interest under the rule of law as the high road to social order and civil society.

State or government is the social apparatus of compulsion and coercion. It has the monopoly of violent action. No individual is free to use violence or the threat of violence if the government has not accorded this right to him. The state is essentially an institution for the preservation of peaceful interhuman relations. (p. 149)

The Mises viewpoint is similar to that of Thomas Paine, who called government "a necessary evil." But while Mises also regards government as necessary, he does not regard it as necessarily evil.

Government . . . is by necessity the opposite of liberty. Government is a guarantor of liberty and is compatible with liberty only if its range is

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adequately restricted to the preservation of what is called economic freedom. Where there is no market economy, the best-intentioned provisions of constitutions and laws remain a dead letter. (p. 285)

Socialism may be a dead letter today across the world but not its vigorous half-brothers—welfarism and interventionism—both of which similarly lack the corrective action of market calculation. Interventionism tallied a home run when Congress recently raised the minimum wage by 90 cents an hour, a bit unmindful of its hit on entry-level employability. So Mises cues you on state boomerangs, to explain why "government help" is an oxymoron.

All varieties of [government] interference with the market phenomena not only fail to achieve the ends aimed at by their authors and supporters, but bring about a state of affairs which—from the point of view of their authors' and advocates' valuations—is less desirable than the previous state of affairs which they were designed to alter. (p. 858)

So the irony of today's play on democracy is that—via protectionism, welfare, intervention, hyper-regulation, egalitarianism, and so on—the state ignores or overrules individual rights, the market rule of majority *and* minority rights, and thus reaps a whirlwind.

Egalitarianism plays on group rights to compensate for past inequities, to promote equality of outcomes. Mises disagrees. He espouses equal individual rights but sees natural inequality in terms of intelligence, drive, integrity, beauty, talent, and other attributes. (His use of the word "liberal" in the following is in the nineteenth-century sense of the word.)

The liberal champions of equality under the law were fully aware of the fact that men are born unequal and that it is precisely their inequality that generates social cooperation and civilization. Equality under the law was in their opinion not designed to correct the inexorable facts of the universe and to make natural inequality disappear. It was, on the contrary, the device to secure for the whole of mankind the maximum of benefits it can derive from it. . . . It leaves it to the voters to decide who should hold public office and to the consumers to decide who should direct production activities. (pp. 841–842)

Note that Mises holds that consumers are sovereign—the real bosses in the democratic marketplace. Here every day is Election Day, every candidate runs scared, and every consumer, young and old, daily has an economic vote. Indeed, every consumer has quite a few such votes.

The consumers patronize those shops in which they can buy what they want at the cheapest price. Their buying and their abstention from buying decides who should own and run the plants and the farms. They make poor people rich and rich people poor. They determine precisely what should be produced, in what quality, and in what quantities. They are merciless bosses, full of whims and fancies, changeable and unpredictable. For them nothing counts other than their own satisfaction. They do not care a whit for past merit and vested interests. (p. 270)

Such reasoning clashes with the modern liberal battlecry of "entrenched wealth," with the Hobbesian argument of war of all against all—of, for example, the rich against the poor. If anything, it's practically the other way around. Mises says the wealthy are at the mercy of consumers, even poor consumers. Wealth, once invested, becomes "a social liability."

Ownership of the means of production is not a privilege, but a social liability. Capitalists and landowners are compelled to employ their property for the best possible satisfaction of the consumers. If they are slow and inept in the performance of their duties, they are penalized by losses. If they do not learn the lesson and do not reform their conduct of affairs, they lose their wealth. No investment is safe forever. (pp. 311–312)

Well, if consumers are so powerful, why the Welfare State, why the Nanny State, why so many governmental agencies designed to protect the hapless shopper? And, with government taking 47 percent of the national in-

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come, with "entitlements" alone running at $1.1 trillion a year—and growing fast—why the persistence of planning in a thousand beguiling guises?

The alternative is not plan or no plan. The question is whose planning? Should each member of society plan for himself, or should a benevolent government alone plan for them all? The issue is not automatism versus conscious action; it is autonomous action of each individual versus the exclusive action of the government. It is freedom versus government omnipotence. (p. 731)

But surely the government should intervene against any type of excessive or dangerous consumption such as cigarettes. Recall America's backfiring Noble Experiment, its violent episode of Prohibition (1920–1933).

Opium and morphine are certainly dangerous, habit-forming drugs. But once the principle is admitted that it is the duty of government to protect the individual against his own foolishness, no serious objections can be advanced against further encroachments. . . . Is not the harm a man can inflict on his mind and soul even more disastrous than any bodily evils? Why not prevent him from reading bad books and seeing bad plays, from looking at bad paintings and statues and from hearing bad music? The mischief done by bad ideologies, surely, is much more pernicious, both for the individual and for the whole society, than that done by narcotic drugs. (pp. 733–734)

For many, Mises, who proved so right on socialism, remains too unappreciated. He and his magnum opus, *Human Action*, await discovery or rediscovery as the New Deal and the Great Society live on, as many wonder anew if "the era of big government" is really over, as social insurance and social justice—indeed all manner of subtle and unsubtle state interventions—continue to mushroom and self-destruct.

The market economy needs no apologists and propagandists. It can apply to itself the words of [architect] Sir Christopher Wren's epitaph in St. Paul's [Cathedral in London]: Si monumentum requiris, circumspice. *["If you seek his monument, look around."]* (p. 854) □

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The New Zealand "Revolution"

"And now that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty. . . ."

—Frederic Bastiat, 1850

For producing both material goods and personal fulfillment, economic freedom makes all the difference in the world. No country proves that more convincingly than tiny but beautiful New Zealand. The story of that island country's dramatic transformation over the past 12 years needs to be shouted from the rooftops.

Situated in the South Pacific midway between the equator and the South Pole, New Zealand is just two-thirds the size of California. Its 3.5 million inhabitants live on two main islands and a scattering of tiny ones. New Zealanders—known as "Kiwis"—are proud of a long heritage as a British outpost that achieved full autonomy in 1931.

In 1950, New Zealand ranked as one of the world's five wealthiest countries, with a relatively free economy and strong protections for enterprise and property. Then, under the growing influence of welfare state ideas that were blossoming in Britain, the United States, and most of the Western world, the country took a hard left turn.

The next 20 years produced "Kiwi socialism"—a harvest of big government and economic malaise. New Zealanders found themselves increasingly victims of exorbitant tariffs, massive farm subsidies, a huge public debt, chronic budget deficits, rising inflation, a top marginal income tax rate of 66 percent, and a gold-plated welfare system.

The central government in those years became involved in virtually every aspect of economic life. It established its own monopolies in the rail, telecommunications, and electrical businesses. About the only things that grew during the period from 1975 to 1983 were unemployment, taxes, and government spending.

With an endless roster of failed statist programs and economic ruin staring them in the face, New Zealand's leaders in 1984 embarked upon what the Organization for Economic Cooperation termed "the most comprehensive economic liberalization program ever undertaken in a developed country."

All farm subsidies were ended in less than two years. Tariffs were cut by two-thirds almost immediately and have continued to decline. Today, the average New Zealand tariff rate is a mere 3.2 percent—virtually unilateral free trade. In fact, over 90 percent of all imports now enter the country completely free of any quota, duty, or other restriction.

Taxes were slashed. The top rate is now 33 percent, half of what it was when the big government crowd was in charge. The average

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income tax level is just 21.5 percent. There are no capital gains or real estate taxes at all.

Since 1984, the New Zealand government has been engaged in a massive privatization effort, selling off at least 22 state enterprises. Its most dramatic success was the sale of Telecom NZ. Pre-privatization, this state communications firm boasted 26,500 employees, many of them in do-nothing jobs. Lean, modernized, and in private hands, it now employs 9,300 and faces competition for the first time from such companies as MCI in long distance and Bell South in cellular.

The country has not suffered some privately engineered communications nightmare; rather, it has gone from antiquated technology to a 97 percent digital system rated second on the planet by the World Competitiveness Report. Telecom NZ is no longer a drain on the public treasury. It actually pays taxes.

New Zealand's public-sector work force in 1984 stood at 88,000. In 1996, after the most radical downsizing of any government anywhere, its public-sector work force stood at less than 36,000—a reduction of 59 percent. The Ministry of Transport, when it owned and operated everything from the ports to a national airline, employed 4,500. Its entire staff now occupies the equivalent of two floors of a typical downtown office building.

The country's banking system is thoroughly deregulated. Even foreign banks are now welcome. Americans who have grown accustomed to the thought that government should guarantee their bank deposits might be shocked to learn that in New Zealand, the central government imposes no deposit insurance on financial institutions. Instead, banks provide full public disclosure of their financial conditions and secure whatever insurance they need in the open market.

Establishing a new business in New Zealand is easy, largely because the few regulations imposed are applied evenly and consistently. Environmental and safety regulations are sometimes burdensome, but are largely offset by low taxes and a business-friendly policy climate.

What the New Zealanders did to change labor policy was especially striking, if you'll pardon the pun. William Eggers of the Reason Foundation terms it "the most aggressive and far-reaching labor market deregulation in the world." Compulsory union membership was abolished, as were union monopolies over many labor markets. Stripped of special privileges that once allowed them to hold the economy hostage, unions now enjoy a legal status no different from that of any other private, voluntary associations.

As the New Zealand ambassador to the United States told a gathering at the Heritage Foundation in Washington, D.C., a few months back, all these dramatic changes have paid off big time in economic dividends. The national budget is balanced, inflation is negligible, and economic growth is surging ahead at between 4 percent and 6 percent per year.

Eggers reports that after the ports and railways were privatized, freight costs plunged as much as 50 percent. That helped to offset the loss of subsidies to farmers, who are now among the most competitive in the world.

Recent elections brought about a change in government once again, but most observers believe the political consensus for free-market policies has become too deeply rooted to be easily reversed. Indeed, the only party that openly opposed what New Zealanders call "the revolution" garnered a paltry 12 percent of the vote.

There's a powerful lesson here: Big Government sucks the life out of an economy. Free enterprise can undo the damage. Statists everywhere have much to learn from the New Zealand model. □

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THE FREEMAN
IDEAS ON LIBERTY

Government Schooling: The Bureaucratization of the Mind

by Thomas E. Lehman

In April 1983, the National Commission on Excellence in Education issued its now infamous report, *A Nation at Risk.* The Commission found that American students were experiencing, among other things, a decline in literacy levels, a diminishing level of science and mathematics skills, and a limited knowledge in the "social sciences" when compared to American students of earlier generations or even to students in other countries. The Commission concluded that serious problems existed in the American system of education.

Since the publication of *A Nation at Risk,* Americans have done much soul-searching in an attempt to address the problems outlined in the report. Most of the "solutions" proposed by educators, politicians, and the media involve increased government funding in an effort to expand training programs, lengthen the academic year, reduce violence, and identify and assist those students who are "slipping through the cracks." Other proposals have also come to the forefront, including Milton Friedman's educational voucher program, which would ostensibly create "competition" among public schools by offering "taxpayer choice" in school selection.

However, these and other proposals flowing from Washington, D.C., state capitals, and local school districts have missed the mark. School reformers are attempting to shore up an existing educational system which is, by its very nature, destined to fail. Misguided policy "solutions" for American education attempt to salvage a system that is unsalvageable—a system that is intellectually, socially, and economically backward. Reformers refuse to admit or to understand that the American system of compulsory public education has foundered precisely because it is public—that is, government-controlled. The only solution to the serious education problems in America is to proclaim the separation of school and state, and allow education to be bought and sold through the free and unhampered market process.

Mr. Lehman is adjunct professor of economics and history, adult and professional studies division, Indiana Wesleyan University, Marion, Indiana.

Compulsory Public Education: The Economic Dilemma

Public schools—like all public agencies—are inherently unable to evaluate their own performance accurately in terms of the satisfactions derived by their constituents, i.e., students and their parents. The absence of proper evaluation lies in the inability of the educational bureaucracy (or any government agency) to calculate profits or losses in terms of numerical assignments to monetary units. In other words, public bureaucracies cannot perform economic calculation.[1]

Economic calculation is the process of comparing and contrasting opportunity costs (prices) among a variety of choices facing an individual actor or group of actors regarding

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the means to achieve a desired end. For a private firm operating within the parameters of a market economy, economic calculation consists in comparing and contrasting the outputs (expenses) and inputs (revenues) in order to arrive at the most efficient use of scarce resources in the satisfaction of the consumers' most urgent wants.

In the market sector, outputs and inputs (expenses and revenues) are linked through the determination of profit or loss. A profit indicates that the private firm succeeded in providing a commodity or service that consumers valued more than the costs expended in bringing it about. A loss indicates that the private firm failed to provide a commodity or service for which consumers were willing to pay more than the costs expended in its creation. Profits are an implicit declaration by consumers that the scarce resources used for the creation of a given commodity were prudently applied. Losses are an implicit declaration by consumers that scarce resources were squandered and should have been employed in a manner more conducive to their satisfactions. Regardless the profit or loss outcome, however, all private firms, operating within the confines of an unhampered market economy, are offered the ability to positively or negatively evaluate their own performance for the immediate accounting period precisely because they have the use of economic calculation.

Government bureaucracies have no such ability. The essence of bureaucracy is that it cannot evaluate performance in terms of consumer satisfaction because of the absence of economically calculable profits or losses. This is why bureaucracies are encumbered with regulated structural procedures. By their very nature, government educational agencies cannot link outputs (expenditures) to inputs (tax revenues). There is no relationship between the taxpayer who is coerced into financing all educational expenditures, and the student who is the consumer of what such expenditures have created.

Because the educational bureaucracy exists within a sea of capitalist economic calculation, bureaucrats can calculate and budget expenses. But, because government agencies do not operate on a profit-and-loss basis, these administrators have no way of relating expenses to tax revenues to determine if the expenses were prudently applied. They do not know whether the resources taken from taxpayers were employed according to the most urgent demands of consumers. Government agencies are deprived of profit-and-loss accountancy methods, precisely what is necessary to economically evaluate past performance and make changes based upon the information provided.

From an economic point of view, then, the government education system in America is like a ship lost at sea with neither a compass nor a lighthouse to guide it. Absence of evaluative information in the form of profits or losses makes rational navigation impossible.

The Political Dilemma

Because education administrators cannot evaluate their agency's performance in terms of consumer satisfaction, they resort to noneconomic criteria. These noneconomic measurements may be labeled "political calculation." As with any government agency, the American education system is motivated by political considerations, and its performance must be evaluated in terms of these political considerations. Evaluative criteria in the field of education thus become the subjective social, ideological, and political goals of individuals within the establishment itself. The success or failure of the organization is based entirely upon the degree to which these social, ideological, or political goals have been achieved.

Politically or ideologically motivated administrators within any public bureaucracy will, in order to achieve their goals, seek to employ their authority to the maximum as long as their government-sanctioned position allows them to do so. They will seek to expand the annual budget of their agency by spending more than is annually allocated, thus appearing "necessary" to society. They will seek to expand their agency's sphere of influence, thus obtaining greater power and prestige than agencies with which they compete for

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congressional or municipal funding. They will attempt to use the power of their positions to force their own subjective values upon society. Unless it becomes politically necessary, they do not give a great deal of attention to those whom their agency is designed to serve, namely students and parents. They are not motivated through economic profit and loss, but rather by personal political or ideological considerations.

This process of "political calculation" is inevitable. When an organization loses the relationship between revenues and expenditures, when it can no longer be influenced from without, it becomes influenced from within. And, the more power it is granted to carry out its political, social, or ideological agenda, the more it will become a law unto itself. The modern "political correctness" and "outcome-based education" movements, as well as the ongoing submarginal academic performance of American students, are a direct result of politically and ideologically motivated educators attempting to socialize an entire nation of unsuspecting young minds, to remake society in their own egalitarian image through the use of compulsory government education. Government-controlled education easily becomes government-controlled indoctrination.

This is not to argue that all or even most teachers in the government school system are ideologically or politically motivated. Most of them no doubt receive a great deal of satisfaction from teaching and want to perform their jobs well.

The same cannot be said, however, about education officials at the national, state, and local levels of government. Sadly, education administrators and the teachers' unions have both the taxpayer and the student at their mercy. They covet their insulated positions because they are able to control the curriculum and enforce government licensing "standards" that inevitably discourage competition and creativity. Their virtual monopoly status enables them to present their ideological biases as unquestionable truths. Any notion of a free market in education threatens to undo their immunity from accountability to consumers. Those in the education establishment do not want anything taught that would challenge or disparage their own established ideological creeds and dogmas.

The Unconditional Solution: A Free Market in Education

In order to restore academic integrity, individual achievement, intellectual freedom, and a peaceful learning environment to the American student, we must dismantle the education monopoly and establish separation of education and state. Government school administrators and teachers must begin to compete in the marketplace of ideas. The American people must begin to see education for exactly what it is: an economic commodity to be bought and sold in the marketplace according to the subjective valuations and preferences of education consumers, both students and parents alike.

Taxed-based financing of education must be replaced with consumer-funded education. Education must be produced and consumed according to the demands of independent education consumers, and must be offered at a competitive price. Outcomes in the education market must be the sole result of the voluntary buying and abstention from buying by education consumers, and not in any way the result of intervention by politically or ideologically motivated politicians or public administrators.

Further, education must be noncompulsory. If children (and their parents) do not care to consume the information and knowledge provided by the education entrepreneurs competing in the marketplace, so be it. Out of self-interest, relatively few individuals would go uneducated. Moreover, noncompulsory education would suppress violence in schools. Those who did attend would have a financial incentive to make the most of it. Behavioral accountability among students would be restored.

Market-based schools would have the incentive to provide a top quality educational experience to students at a competitive price. If a school did not enforce rigorous programs and a thorough curriculum, their graduates would be ill prepared to compete in their

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respective fields. The school would earn a poor reputation as its graduates would be unable to command respectable incomes, thus discouraging prospective students, causing financial loss, and forcing the school to re-evaluate its performance. Conversely, those schools providing the best education to their students would earn profits, thus reflecting their proper employment of scarce resources. In either case, economic calculation in terms of profits or losses would enable schools to accurately evaluate their performance in terms of the demands of education consumers.

Competition among educational entrepreneurs would tend to weed false prophets and educational quacks from the market. The general nonsense which now pervades most government school systems would not long survive the market-driven search for truth and excellence. Students would no longer be captive to the ideological or political biases of teachers and administrators. Rather, teachers and administrators would be required to provide a valuable educational experience to their students in a peaceful learning environment or find themselves unemployed.

Americans must begin to realize that the separation of education and state is equally as important as the separation of church and state. Only then will American students begin to experience academic diversity, intellectual growth, and a crime-free learning environment. Only then will we be liberated from the bureaucratization of the mind. □

1. See especially Ludwig von Mises, *Bureaucracy* (Spring Mills, Pa.: Libertarian Press, 1983).

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THE FREEMAN
IDEAS ON LIBERTY

The Moral Obligations of Workers

by Jeffrey Tucker

You hate your boss. Your hours are bad. Your salary is too low, and you haven't been promoted in years. What's a worker to do? If you can't get your way, and just can't take it anymore, you can quit. In a free market for labor, your skills will be better appreciated elsewhere. You gain satisfaction from making this decision on your own. In a free society, no worker is forced to be trapped in a job when there is another that appears more inviting. It's one of the glorious rights a free society offers its members, one that has been unknown to most people during most of human history.

But what happens if you stick around the workplace? What if you choose to continue in your present position on grounds that it's probably the best you can do for yourself right now? The answers to these questions have changed dramatically in the last several decades. There was a time when workers understood their moral obligations to themselves and to the person who signed their checks. It was to fulfill the terms of the contract, and do the best job possible. A productive life requires virtuous work habits and adherence to basic ethical norms; besides, a slothful worker is justly fired at any time.

The right to quit and the right to fire are two sides of the same coin. The boss can't force the worker to stay, and the worker can't force the boss to keep him employed. The beauty is that it depends on voluntarism. No matter how many grievances they may have against each other, if boss and worker choose to continue the economic exchange, they do so by their own free wills. We can assume, in a free market, that all employment contracts work to the mutual advantage of both parties.

Nowadays, the moral code requiring a worker to give a day's work for a day's pay has nearly been shredded. Workers think less and less of production and honest dealing and more and more of rights, protests, strikes, and lawsuits. The best-selling cartoon book of 1996 (featuring the character "Dilbert") is devoted to attacking employers and presenting worklife as a huge ripoff, which is a fundamentally anti-capitalist message. To be sure, this change in attitude toward work began long before the advent of laws allowing employees to sue companies, even bankrupt them, for the slightest grievance. The go-slow, strike-threat strategies of labor unions chipped away at the moral code of workers decades ago.

A union member in the 1950s musical *Pajama Game* sardonically promised his boss "a day's work, for a week's pay." But back then, he could only get it through extreme measures. In the normal course of the workday, only the powerless "grievance committee" lent an ear to the perpetual complainer. Even in this pro-union musical, the fundamental right of the management to hire and

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fire as it sees fit—and the obligation of workers to do their very best in normal times—was never seriously questioned.

Job Conflict

These are far from normal times. Troublemakers in the workforce have an exalted status, as well as the legal right to grab whatever they can get from their employers. For those reasons, many employers now fear their employees, and even potential employees in the interview stage of hiring. Anti-discrimination law puts the boss in a double bind. If he hires based only on merit, or on a hunch that the person is a good team player, he must also think of all the people passed by for a job. Are they going to claim to be members of some federally protected victim group (the list of which gets longer every year) and thereby sue on grounds of discrimination? The courts have upheld the rights, for example, of alcohol abusers and convicted felons to have the same "right" to be hired for a job as everyone else.

In practice, this means employers must pad their staffs with officially recognized victims if only to protect themselves from government investigation and class-action lawsuits. This reality has shifted the balance of power in the workplace. Workers no longer view their first obligation as to do their best work for the sake of themselves and the company. Instead, they know that they are potential lawsuit plaintiffs, and hold it over the management and the owners for every slight. A complaining employee can demand pay increases and promotions through a subtle form of legal blackmail, a tactic familiar to most anyone who works in a medium- or large-size company. Employers now fear using strict standards of merit for promotions and perks. Such evaluations might result in a distribution of wages and salaries that is unequal among the demographic groups represented in the workforce, and therefore draw the attention of government officials or class-action lawyers.

Yet even this type of political padding doesn't always work. Texaco worked for years to keep all types of people represented at all levels of its operations. The company bent over backwards to institute its own private quota system of hiring, if only to keep protesters and trial lawyers at bay. It gave out franchises based on the race of the applicant, and allowed more lenient application standards for groups said to be "underprivileged." Yet when one employee's gripe mushroomed into a class-action lawsuit involving hundreds of workers, Texaco ended up having its good name dragged through the mud, and shelled out $176 million to lawyers and complaining employees, without ever having entered the courtroom.

The sad tale began with an accountant at the company's Denver office who filed an internal complaint of racial discrimination, a powerful weapon in today's workforce. Fearing escalation, supervisors even higher up the management chain did everything possible to make her happy, moving her to a new division with plusher working conditions and assuring her that her job would be secure. It wasn't enough. When a few hotshot lawyers heard of the situation, it was only a matter of time before it became a general lawsuit involving 1,500 people, most of whom had no particular complaints at all! None of this means that the company was necessarily treating anyone poorly on grounds of race. It only means that the money was there for the taking, so who's to say someone shouldn't take it?

Take This Job . . .

In the traditional moral code of work that arose in a free market, the situation would have been handled very differently. If the accountant didn't like her job, she would have quit and gone to work for someone who appreciated her more. If she began to complain too loudly of her plight, undercutting the morale of other employees and creating a hostile work environment, she would have been fired. If she was at fault, she would have learned a valuable lesson in workplace ethics and human relations. If the company was at fault, it would have lost a valuable employee and would learn not to act so hastily next time.

This system of mutual rights creates peaceful cooperation between the employee and the employer. Each understands the obliga-

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tions he has to the other. The goal, as with any economic exchange, is to better the lot of everyone involved. Contrary to the old Marxian claim that an inherent conflict exists between labor and capital, a free market makes it possible for them to exchange in a mutually advantageous and profitable manner.

The Joys of Work

Ludwig von Mises argues that such a voluntary relationship takes the drudgery (or the "disutility") out of work and can turn it into a genuine joy. The worker can delight that he is achieving personal goals, whether material or spiritual. He gains "self-respect and the consciousness of supporting himself and his family and not being dependent on other people's mercy. In the pursuit of his work the worker enjoys the esthetic appreciation of his skill and its product. This is not merely the contemplative pleasure of the man who views things performed by other people. It is the pride of a man who is in the position to say: 'I know how to make such things, this is my work.'"[1] Moreover, "To be joyful in the performance of one's tasks and in overcoming the disutility of labor makes people cheerful and strengthens their energies and vital forces."[2]

It is only legal interventions that tip the balance in favor of either the capitalist or the employee. There can be no doubt that the employee has the upper hand today, much to the detriment of his own ethical well-being. By suing and blackmailing his employers, creating hostile work environments, and threatening to call the government in, the employee is implicitly threatening to take property that is not his to take. That situation is bad for the company, for society at large, and even for the employee in the long run. It is contrary to a market-based work ethic, which is about more than merely working long and hard, but fulfilling the terms of your contract by striving toward excellence in the service of the business's institutional goals.

As Mises points out, when the worker views himself as a "defenseless victim of an absurd and unjust system," he becomes "an ill-humored grumbler, an unbalanced personality, an easy prey to all sorts of quacks and cranks," and even "morose and neurotic." In what appears to be a description of modern-day America, Mises wrote that "A commonwealth in which the tedium of labor prevails is an assemblage of rancorous, quarrelsome and wrathful malcontents."[3]

The Ethics of Work

There is both an economic and moral dimension to the work ethic. The economic side is dictated by the realities of property and contract relations. The employee is not the owner; capitalists and stockholders are. The worker has been hired by these owners to perform a certain function for the good, meaning the profitability, of the company. He is free to choose not to do so, but then he is obligated to do at least what he has agreed to do and then leave the company.

There is a respect in which the employer is an economic benefactor to employees. The capitalist pays out wages to employees before he sees the profits of their current production. He is undertaking a risk in an uncertain economic environment that the employee, the immediate recipient of wages, is not being asked to bear. Moreover, the capitalist cannot merely pay the wage he can afford; he is constantly in a position of having to keep his employees from being bid away by competitive enterprises, even those that take fewer risks in the market.

To accept an employment contract means to agree to provide a certain amount of labor in return for a defined amount of money. To not perform that contract is to violate the terms of the contract and to fail to respect the unique entrepreneurial role of the capitalist. It is also the moral equivalent of stealing property from the capitalist who has employed him. A system that gives this person legal recourse to turn against his employer-benefactor and loot even more property in a bitter personality struggle is not a system that respects property rights.

On the moral side, we can turn to the brilliant and beautiful writings of Stefan Wyszynski (1901–1981), whom former Polish president Lech Walesa has called "the spiri-

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tual leader of Poland." As the teacher of John Paul II, Cardinal Wyszynski was arguably the key intellectual and religious force behind the eventual overthrow of the communist regime, though he did not live to see it. Imprisoned for three years by a totalitarian regime that labeled him one of the "greatest foes of the Polish People's Republic," Wyszynski spent many years reflecting on the nature and morality of work in free and unfree societies. In 1946 he published a full-blown philosophical elucidation of the moral obligations of workers.[4] As a treatise on everyday morality, its power may be unsurpassed.

His views on work were developed in opposition to the pagan view of work, which was to despise labor itself. Pagans "regarded physical work as unworthy of man," Wyszynski writes. "It was the duty of slaves. It could not be reconciled with the sublimity of the free mind, for it limited it too much, and made it dependent both on itself and on others."[5] But the coming of Christianity corrected this error, elevating work to participation in the creative work of God. In this, the Christian view follows the example of Jesus Christ, who said in the Gospel of John, "my Father has never ceased working, and I, too must be at work."

The Christian or Western view of work emphasizes the importance of uniting spiritual and physical work. In early monastic life, sublime contemplation and hard physical labor went hand in hand, and were seen as complementary to the achievement of the sanctity of the individual soul. As the Psalmist says, "For thou shalt eat the labors of thy hands, blessed art thou, and it shall be well with thee."

Putting Talent to Use

Every person has been given gifts that allow for productivity, and they are intended to be used in the service of God and of others. Therefore, man cannot be destined for only prayer or work. Work helps us to become holy, and holiness allows for the inner harmony necessary for productive work. St. John's Gospel uses both images in a passage on salvation: "the wages paid to him who reaps this harvest, the crop he gathers in, is eternal life, in which sower and reaper are to rejoice together." This monastic attitude toward labor spread throughout society as the faith itself did, eventually supplanting both the pagan view that work is only for slaves, and even slavery itself.

As Wyszynski writes of the Christian ideal, "work is the duty of man. This duty arises from the very needs of man's life, as well as from the meaning that work holds for his perfection. Without work it is not possible either to sustain life or to reach the full development of one's personality. Work is the means of God's gift, life, in us, of properly satisfying its needs, and perfecting our rational nature."

Leisure is not the state of nature. Even before the fall, Wyszynski emphasizes in opposition to the pagan view, it was necessary to work. Work is not punishment for sin; it is "closely related to the rational nature of man."[6] In the Genesis narrative, God's commandment to Adam to subdue and rule the earth preceded the first sin and God's judgment. It is only the *burden* of work that is a consequence of sin. "By the sweat of thy brow shalt thou eat bread." This burden should be borne joyously as part of our desire to improve ourselves and our relationship with God.

The implications seen by Wyszynski deserve to be quoted at length. "It is the working man himself who most benefits from work understood in this way. This is not because he gets his wages for his work, but because his work, which is bound inseparably with his person, shapes and develops his mind, will, feelings, and various moral virtues and characteristics, as well as his physical and spiritual skills. . . . Work, based on our reason and freedom, should develop our conscientiousness, our sense of duty, and our responsibility. Only then will it be the work of a rational being. Work, understood in this sense, immediately reveals to us two aims that every man ought to achieve in his personal work: the perfecting of things and the perfecting of the working man. This is the starting point for social-economic progress, for human civilization, for moral religious progress, and indeed for the culture of the world."[7]

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Real Social Work

There are many social virtues associated with work. Work creates bonds between people, since it requires that we peacefully associate with others. It calls forth both cooperative behavior and the constant personal improvement needed to compete with our fellows. It makes it possible for families to form and thrive. It allows us to be generous with those who are unable to work for reasons not of their own choosing. Work even generates universal good, in that we are participating in the international division of labor and acquire the knowledge of what it requires the world over to bring about a prosperous social order.

Of course, none of this is possible in a collectivist setting, where worker and employer are not free to contract with each other. The institutional setting required to ennoble work is one of markets, competition, and, above all, private property, which Wyszynski calls "the leading principle of a well-regulated society."[8] The true glory of private property is not that it allows personal accumulation. Rather, it allows us to employ others and to be employed in enterprise, with justly given and received wages, and thereby spreads prosperity to more and more members of society in service of the common good.

The Six Virtues of Labor

In addition to the social virtue of work, there are also individual virtues associated with keeping our moral obligations to those who employ us. Quality work requires and encourages them, even as a free market in labor rewards them. Wyszynski lists and discusses these virtues, in this order:

1. *Patience.* The task of patience is to control excessive and undisciplined sadness, and the tendency to complain and strike out when things do not go our way. We are usually more convinced of our own value to a company than are those who employ us, so it requires patience to put aside resentment and discouragement when we do not get the recognition we think we deserve. Those who do not succeed at this task are "full of complaints, grievances, and lamentations arising out of their state of sadness."[9]

2. *Longanimity.* This is the virtue of forbearance or long-suffering, "a spirit of lasting endeavor in the pursuit of a distant good," writes Wyszynski.[10] Every employer knows the types of workers who "watch the clock" from the beginning to the end of their shifts, who live for the weekend and for vacations, and can't see their way to the end of a major project. They do hasty, shoddy work because they lack longanimity, lose creativity and hope, do not improve as workers, and eventually break their moral obligations to those who employ them.

3. *Perseverance.* This means a "prudent, constant, and continual persistence in a rationally taken decision to strive toward some desired good."[11] Above all, this means the avoidance of emotional outbursts and wild shifts in mood that might cause us to hate our co-workers or employers, and pursue actions that are designed to cause them damage. For example, if a person who is pursuing a discrimination lawsuit against an employer were thinking clearly, he would realize there is much more to be gained over the long haul by perfecting skills, being rational, and working one's way up. Perseverance engenders others to trust us.

4. *Constancy.* This virtue allows us to pursue our goals no matter what obstacles may arise from external causes. Perhaps a worker has an employer who treats people unfairly. Perhaps a person is unjustly passed over for a promotion or a raise. Perhaps he is fired without seeming cause. Constancy allows a person to look past these slights to larger personal goals and do what is necessary to attain them. "Armed with constancy," writes Wyszynski, "we calmly await even the most unpleasant surprises."[12]

5. *Mildness.* This virtue is necessary to maintain concentration in a disorderly setting. "Silence and quietness are the essential conditions for fruitfulness in every type of work," says Wyszynski, "whether we are dealing with supernatural action, the world of science, or just ordinary daily work."[13] Every employer knows of workers who spend more time talking than producing, and generate

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more noise than thought. But to do truly good work, for the sake of our employers and ourselves, requires that we filter out "superfluous sensations"[14] and exercise control over our mental faculties.

6. *Conscientiousness.* This is the spirit of cooperation that makes the division of labor possible, and turns a workplace into a place of mutual aid. It helps us understand that in any organization, people must take instruction from others. There are structures of authority that must be obeyed. Workers must submit to direction. Wyszynski reminds workers that this is not a power-based relationship but an educational one that aims at perfecting work. To be conscientious is also to be humble, an attitude that drives "out disputes, discord, quarrelsomeness, and division."[15]

What a welcome change that would be in the modern workforce, where everyone seems to be at each other's throats, each demanding his rights or accusing someone of violating his.

If these six virtues are cultivated, writes Wyszynski, then we can enjoy the blessing of leisure and prosperity that follow six days of work, and, he says, fully enjoy the presence of God after a lifetime of toil and struggle, when our sorrow is truly turned to joy.

If these attributes of virtue were once deeply ingrained in our culture, today they seem long gone. We recognize them only when we study the diaries of our great-grandparents, or read older works of pre-New Deal literature, but we don't see these virtues in most co-workers or the high-profile cases of workplace conflict that bombard us every day on the news. These virtues were sustained by a vibrant market economy free of government controls and the conflicts they inevitably engender. It was a system that required personal responsibility, rewarded virtue, and kept the base desire to steal from others at bay.

However, the passing of that system is no excuse for not retaining and obeying the moral obligations inherent in every aspect of work. Virtuous work is the social and cultural foundation of freedom, and we must reclaim the ethics of work if our liberty is to be regained. It will always be true, as Wyszynski says, that "work cannot be carried out with a clenched fist and a shriveled heart."[16] For the "result of all human work should be not merely the perfecting the thing produced, but also the perfecting of the worker, not merely external order in work, but also inner order in man."[17] □

1. Ludwig von Mises, *Human Action* (Chicago: Regnery [1949] 1963), p. 589.
2. *Ibid.*, p. 591.
3. *Ibid.*, p. 591.
4. Stefan Cardinal Wyszynski, *All You Who Labor* (Sophia Institute Press [1946] 1995).
5. *Ibid.*, p. 21.
6. *Ibid.*, pp. 23–24.
7. *Ibid.*, p. 28.
8. *Ibid.*, p. 42.
9. *Ibid.*, p. 121.
10. *Ibid.*, p. 127.
11. *Ibid.*, p. 137.
12. *Ibid.*, p. 139.
13. *Ibid.*, p. 153.
14. *Ibid.*, p. 155.
15. *Ibid.*, p. 158.
16. *Ibid.*, p. 186.
17. *Ibid.*, p. 151.

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THE FREEMAN
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American Labor Law—Bad and Still Getting Worse

by George C. Leef

One of the great blunders of American history was the New Deal decision to institute a legal framework for labor relations that did away with the older common law rules of contract, property, and tort that applied equally to all parties, replacing them with a highly coercive, asymmetrical scheme intended to help labor union leaders achieve their aims. Much has been written on this subject generally.[1] My intention here is to discuss two recent developments in labor law that underscore the folly of having abandoned the neutrality and freedom of the common law.

"Salting"

Labor unions have never hidden their desire to eliminate—by nearly any means available—competition from firms and workers who choose to operate independently. The flow of dues money into union treasuries would be larger and more steady if only consumers could be deprived of the option of contracting with lower-cost, nonunion firms. A recently developed tactic known as "salting" shows the lengths to which unions will go to achieve, through manipulation and abuse of the legal system, objectives that they cannot achieve through peaceful means.

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Salting entails an attempt by unions to get nonunion firms to hire pro-union workers or even paid union organizers. If one of the union's applicants for a job (let's say, an electrician, since thus far salting has mainly been used against nonunion construction firms) is rejected by the employer, the union then files unfair labor practice charges against the company with the National Labor Relations Board (NLRB), claiming that the applicant was discriminated against because of his union sympathies, a violation of the National Labor Relations Act (NLRA). There may or may not be any truth to this charge—the manager who made the decision may have just thought that another applicant seemed better qualified, or he may have known or suspected that the individual was a union "salt" and decided against him on that ground. As far as the union is concerned, the truth of the accusation does not matter. There is no penalty for filing baseless charges with the NLRB. Nor is there any cost to the union to file; it has staff attorneys who can handle this paperwork very easily. However, defending against the charges will prove costly to the company. It will have to hire an attorney to defend itself and that can absorb a lot of a small firm's funds. That is precisely the union's objective.

On the other hand, if the "salt" is hired, he then can and will foment trouble internally. Should the company fire him for his trouble-

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making, destruction, insubordination, and so forth, he then happily goes back on the union payroll and files charges for "discriminatory termination." Again, the company will have to incur legal costs to defend itself.

The point of "salting" is to wear a company down with repeated legal charges, not one of which was brought by an individual who actually had any intention of working for the firm and *earning* his pay.

Construction unions have launched salting campaigns against many nonunion construction companies in recent years. For example, Toering Electric Co. of Grand Rapids, Michigan, has been forced to pay out more than $31,000 to "compensate" pro-union salts whom it declined to hire and, in an effort to bring peace, has agreed to hire pro-union electricians for the next five journeyman positions that come open. The union's newsletter brags about "putting a big hurt" on this company, as if the abuse of legal processes and coercion were something to be proud of.

"Can this be legal?" you may be wondering. Alas, yes. Last year, the Supreme Court reversed a court of appeals decision that union organizers weren't entitled to special legal protection if they apply for work at a firm they are targeting. The NLRA is vague on many points, including this one, but the Supreme Court chose to give it an interpretation at once hostile to freedom of contract and encouraging to this unscrupulous abuse of governmental processes. Salting has been given the green light. The unions are gleeful that their nasty harassing tactic may continue. It certainly will.

Why It Matters

Why should we care about this? For one thing, if unions succeed in driving out nonunion competitors with this kind of coercive harassment, the cost of construction (and other things) will rise. Nonunion firms are despised by unions because they are able to make more efficient use of labor without the union's wasteful work rules, and thus often underbid unionized firms. In the absence of that competition, people would have no choice but to deal with unionized firms. Union leaders, as they sometimes candidly admit, are businessmen. They sell labor. If there are only union construction firms, they will have cornered the market.

Second, there is the question of justice. Is it right for any group to use (or abuse) governmental processes to injure or destroy competitors? Isn't it wrong to use the law as a sword to impose ruinous costs on rivals just because you can get away with it? The unions would scream if their opponents used the same "might makes right" tactics against them, but philosophical consistency cannot be expected from statists.

Salting is only possible because of the coercive power invested in regulators by the NLRA—the power to punish firms for engaging in behavior that is not in breach of any contract, is not tortious, and violates no one's property rights. When such power is created, it will be used by people who like to get what they want through coercion rather than peaceful, voluntary interactions with others.

The Attack on Employee Involvement

In recent decades, there has been a marked shift in the United States away from the old-fashioned management style of just telling workers what to do, and toward using the observations and ingenuity of employees to assist in running the business better. Employee involvement (EI) works very well under most circumstances and is necessary to the survival of most American businesses in the intensely competitive global market.

It is undoubtedly in the interest of both business owners and employees to have the freedom to find the optimal ways of cooperating for mutual gain. There is no set formula for EI. There are so many different businesses faced with so many different and changing circumstances that no one can possibly specify the ideal way to handle EI programs. There isn't *an* ideal. Each firm has to seek its own.

Unfortunately, again owing to the National Labor Relations Act, managers and workers are not entirely free to experiment with EI. One section of that statute prohibits the

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management of a company from "dominating or assisting" any labor organization. The original purpose of that section was to prohibit "company unions" back in the 1930s. It was organized labor's way of coercively restricting the range of options in labor relations. (Union spokesmen routinely say that company unions are "sham" unions, but if that were true, why wouldn't workers readily and willingly choose representation by "real" unions?) Today, organized labor, eager to guard its turf and appear useful, contends that the kinds of groups established under EI programs constitute management-dominated labor organizations and are thus illegal.

There has been a lot of litigation over this issue. The leading case, *Electromation v. NLRB*, decided by the NLRB in 1992 and upheld by the Seventh Circuit Court of Appeals in 1994, broadly restricts EI programs in nonunion workplaces. They may not discuss any issues that involve "terms or conditions of employment." Electromation Inc. was ordered to disband five "action committees" that dealt with the following subjects: absenteeism/infractions, no-smoking policy, communications, pay progression, and attendance bonuses. Most Americans would find it astounding that it can be illegal for managers and workers to sit down and discuss any aspect of work. Welcome to the Orwellian world of the NLRA.

Some subjects are clearly legal to address in an EI program. For example, managers and workers can discuss the *implementation* of a workplace attendance policy, but, as *Electromation* says, they may not discuss *absenteeism.* That may seem like a nonsensical distinction, but that is exactly what happens when you get lawyers battling back and forth over the meaning of a vaguely written statute. The problem for employers is that some potentially fruitful areas for EI programs are now taboo, and a cloud of uncertainty hovers over many others. As Howard Knicely, executive vice president of TRW Inc., said in testimony before the U.S. Senate, "It is virtually impossible for an employer and its employees to know what they can and cannot do under current law."

Organized labor doesn't like EI because it may (and often does) lead to more satisfied workers, who are unreceptive to union organizers. AFL-CIO official David Silberman, for example, claims that the teams established by Electromation were a "bald-faced effort to stop union organizing." Never mind that the NLRB specifically found otherwise. The right question to ask is, "So what?" What on earth is wrong with management taking perfectly peaceful steps to increase the level of worker satisfaction? Union leaders talk as if they were entitled to interfere with the liberty of others to ensure that there will be a large pool of dissatisfied workers for them to entice into unions—and then collect dues from.

One of the most annoying aspects of the legal battle over EI is the fact that we are talking about *speech* here. The courts are remarkably eager to extend First Amendment protection to all sorts of *symbolic* speech (dancing, apparel, flag-burning), but they do nothing here to protect *actual* speech. The American Civil Liberties Union does not enter cases like *Electromation* with a brief arguing that freedom of speech is being infringed upon, and I would suppose (though I admit that I have not read the briefs) that the attorneys for the embattled firms do not even bother to raise First Amendment arguments. The courts, largely indifferent to employer freedom, have always turned a blind eye to the First Amendment in labor cases.

Cutting the Gordian Knot

The vile "salting" tactic and the legal attack on EI programs are both consequences of abandoning the freedom and neutrality of the common law in favor of the one-sided, authoritarian special-interest statute that is the NLRA.[2]

Both are egregious examples of harnessing the power of the state to accomplish ends that would be crimes or torts if the interest group members tried to do the same things on their own. If the union that was so incensed at the Electromation Action Committees (the Teamsters, which had lost a representation election there) had burst into the plant and demanded that the committees be disbanded

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or else, that action would have been illegal. The NLRA spares unions the expense and danger of having to directly violate the rights of others. The government does the dirty work for them.

If I had a magic wand to repeal bad federal statutes, I would put the elimination of the NLRA right at the top of my list. Many would accuse me of throwing out the baby with the bath water, but the truth is that there is no baby here. The NLRA is coercive interference with liberty and property rights from start to finish. □

1. Richard Epstein, "A Common Law for Labor Relations: A Critique of the New Deal Labor Legislation," 92 *Yale Law Journal*, 1357; and George Leef, "Legal Obstacles to a Market for Employee Representation Services," 9 *Cato Journal*, 663.

2. The NLRA is also unconstitutional; there is nothing in Article I, section 8 that gives Congress power to regulate labor-management relations. (No, the commerce clause won't do. See Professor Epstein's "The Proper Scope of the Commerce Clause," *73 Virginia Law Review* 1387.)

Life, Liberty, and Pizza Delivery

by Thomas J. DiLorenzo

After 22-year-old Samuel Reyes was shot and killed while delivering a Domino's pizza in a government housing project in San Francisco, Domino's suspended pizza deliveries in the highest crime areas of many cities. The company also developed computer software that allows its franchisees to flag addresses that are unsafe (a yellow flag means curbside delivery only; green flag means go ahead; red flag means do not enter).

One would think that such an expression of concern for employee safety would earn Domino's one of the U.S. Department of Labor's "corporate social responsibility" awards. No such luck. Domino's behavior has infuriated liberal political activists and has led to a new "civil rights" campaign—against so-called "service redlining."

Because some of the most crime-ridden sections of San Francisco are in predominantly black government housing projects, the San Francisco Board of Supervisors recently decided to make it illegal for Domino's (or any other fast-food deliverer) to refuse to deliver in areas the company believes would put its employees' lives in danger. The new law is the basis of a civil suit by aggrieved pizza consumers who apparently believe they have a constitutional right to pizza delivery.

The deep irony of San Francisco's new service redlining law is that in the name of civil rights it imposes forced labor on Domino's employees. The law also makes a mockery of private property and freedom of association, as the city's politicians seek to coerce business owners into associating with violent criminals and putting their employees' lives—and their business property—at risk.

The very idea that pizza delivery is a civil rights issue is absurd. Because the fast-food business is so fiercely competitive and profit margins so low, any business that ignored a large customer base because of racism would not long survive. Domino's did not become the hugely successful company that it is by refusing to sell its pizzas to blacks. Such discrimination would create enormous profit opportunities for its competitors and drive it

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from the market. If there are large, unrealized profit opportunities in the pizza delivery business in some sections of San Francisco, one wonders why members of the San Francisco Board of Supervisors do not invest in pizza delivery franchises there themselves. According to their own logic, millions of dollars in profits are just sitting there, waiting for racially enlightened business owners to pick them up.

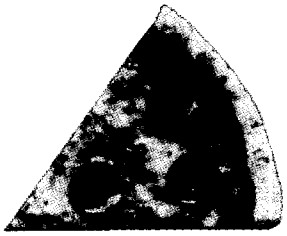
While politicians in San Francisco and elsewhere argue over how best to regulate "service redlining," the free market is quietly solving the problems they are concerned about. A new business in Birmingham, Alabama, is the model. Home Boys Catering and Delivery hires ex-gang members to deliver pizzas and other food items to high-crime areas of the city. The business adds a $2.50 service charge (or risk premium) to each delivery, and it has been so successful that it is expanding into other cities.

This particular form of price discrimination is rational and efficient, but political demagogues threaten its existence because of their economic ignorance and political opportunism. Many other businesses, such as grocery stores, charge what might be called a crime premium for operating in higher-crime areas; otherwise many of these businesses would not operate there at all. For example, grocery prices are often slightly higher in higher-crime areas of a city because the stores there incur higher costs due to a higher incidence of shoplifting, break-ins, and robberies. For decades, politicians who purportedly champion "the poor" have condemned this type of "discrimination" and in some cases have imposed price control laws which prohibit it.

But price controls that prohibit stores from passing on at least part of these costs to consumers will reduce—or eliminate—profit margins at those stores, causing many of them to shut down, as has in fact occurred throughout the United States. The residents of these urban areas are then left with fewer places for purchasing groceries and may very well end up paying *higher* prices.

The fact that the free market is quickly and easily solving the problem of food delivery in high-crime areas, thanks to businesses like Home Boys Catering and Delivery, will likely be ignored by most self-appointed "civil rights leaders" for the same reason that most politicians always ignore the free market in general: Voluntary solutions leave no room for politicians to advance their careers by shaking down the businesses they threaten with regulation for campaign contributions and engaging in media grandstanding. In the name of civil rights, San Francisco's politicians would apparently rather enforce a form of involuntary servitude than sacrifice these career opportunities.

If the San Francisco Board of Supervisors wants to solve the problem of unequal service delivery in high-crime areas, it should create a better business climate in the city through deregulation—especially of food vendors and other small businesses that are plagued by occupational licensing regulation; tax cuts to spur economic growth; and better crime control. It needs to stand back and get out of the way of entrepreneurs like Home Boys Catering and Delivery owner Darek Marcel Eaves. Mr. Eaves provides a valuable service to his customers and performs a public service to his community by employing troubled young men and women and teaching them how to develop a work ethic and to run a successful small business. America's cities need more entrepreneurs like Mr. Eaves, not more laws, regulations, and mandates on business owners. □



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THE FREEMAN
IDEAS ON LIBERTY

Free-Market Emancipation

by Karol Boudreaux

Today, when we think about slavery in America we typically bring to mind images of nineteenth-century slaves trudging off at daybreak to grueling work in cotton fields and returning exhausted after sundown. We think of people with little freedom, whose best hope for liberty lay only in dangerous escape attempts.

Like any institution, slavery has a history. It evolved over time, becoming more repressive as years passed and as the forces of government coercion, such as Virginia's Slave Code, were used to restrict opportunities for blacks.

In the seventeenth century, however, blacks who were either slaves or indentured servants had, at least in one part of the South, a unique window of opportunity open to freedom. Their story is little known, and worth a closer look because of the lessons it teaches about the power of free markets and personal freedom.

In "*Myne Owne Ground*," professors T. H. Breen and Stephen Innes describe settlements on the Eastern Shore of Virginia between the years 1640 and 1680.[1] These communities had several interesting characteristics. First, and perhaps most importantly, Virginia's colonial government was located far away, across the Chesapeake Bay in Jamestown. Second, tobacco, grain, and livestock could be profitably raised on the Eastern Shore. And third, the common-law judges who held court on the Eastern Shore "shared certain basic beliefs about the sanctity of property before the law."[2]

Breen and Innes tell the stories of a number of blacks who lived in Northampton County on the Eastern Shore during the mid-seventeenth century. These men, admittedly few in number, were able to contract with their owners to purchase their freedom. These purchase contracts typically required the slave to provide hundreds or thousands of pounds of tobacco to the owner. A slave would meet this daunting challenge by working small parcels of land, which his owner allowed him to use during his spare time. If he were both ambitious and lucky, the slave might actually raise enough tobacco to meet the purchase requirements and gain his freedom.

As Breen and Innes note:

> Self-purchase obviously operated to the master's advantage.... The key to understanding self-purchase is productivity, for while the great planters of the Eastern Shore required able fieldhands ... they obviously did not want people who were lazy or disobedient. For the slave, the incentives to diligence were quite limited.... One answer to the master's perennial problem was to hold out the possibility of freedom. Such an offer provided the slave with a powerful goal, a dream, a reason to sacrifice, and even though the terms of some freedom agreements appear grossly exploitive to the modern observer, they were welcome bargains to persons who otherwise faced lifelong bondage.[3]

Purchasing their freedom was only the first hurdle these remarkable men faced. Once

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free, they would either have to accumulate enough capital, or buy "headrights,"[4] to acquire land and supplies in order to become small, independent farmers. By renting land and growing tobacco and livestock, these men could make a living. While some failed, many did quite well, buying hundreds of acres of land and becoming well-known traders.

Race Not a Barrier to Success

What is fascinating about their stories is that once they were part of the market system of Northampton County, these former slaves faced relatively little racial discrimination. They often successfully sued in Northampton courts to protect their property rights. They accumulated property and traded with whites. In short, they participated fully in the system of voluntary exchange that characterized Northampton's market economy. While social and political barriers existed for these men, in the market, at least, race was not a major barrier to success.

The success of Northampton's free blacks provides an important lesson about the functioning of markets. In a free market, where government interference is kept to a minimum and where people are free to contract with one another, those individuals who are able to supply products that other people want will succeed. Buyers look for sellers who offer the best products at the lowest prices. In a free market, the quality and price of the good, not the color of the seller's skin, are what count most. Indeed, in competitive markets, if buyers refuse to purchase goods from a seller based solely on the seller's race, they hurt themselves by passing up good deals. Racial discrimination, in other words, is costly in a market system.

This lack of racial discrimination is exactly what we see in the early history of Northampton County. Northampton County was a thriving market economy in the mid-seventeenth century, with relatively little government interference from faraway Jamestown. In this environment, we should not be surprised to find that blacks prospered and faced relatively little discrimination. So long as these freemen could provide tobacco, grain, or livestock that their neighbors or merchants wanted, they succeeded. As Breen and Innes observe, "economic status rather than racial identity seems to have been the chief factor in determining how blacks and whites dealt with one another."[5]

Unfortunately, this relatively brief period of economic prosperity for free blacks in Northampton County ended by the close of the seventeenth century. Breen and Innes suggest that it was the very success of the free blacks that led to their undoing. As these resourceful people accumulated property and wealth they represented a growing competitive threat to white farmers. Faced with such unwanted competition, white settlers lobbied the government of Virginia to pass increasingly restrictive statutes, limiting the freedom of blacks. These legislative restrictions culminated in the repressive Virginia Slave Code of 1705 which, Breen and Innes argue, marks the moment at which racial lines "inexorably" hardened and "the tragic fate of Virginia's black population was finally sealed."[6]

The awful lesson of the Northampton County free blacks is that this hardening was made inevitable only by government action. Tragically, race relations in America could have evolved differently. In a community where a competitive market economy existed, where property rights were protected by the courts, and where government interference was minimal, people dealt with each other in a relatively colorblind manner. The relevance of this lesson to late twentieth-century America is all too obvious. □

1. T.H. Breen and Stephen Innes, *"Myne Owne Ground": Race and Freedom on Virginia's Eastern Shore, 1640–1676* (New York: Oxford University Press, 1980).
2. *Ibid.*, p. 15.
3. *Ibid.*, pp. 72–73.
4. The "headright" system entitled each settler to a grant from the colonial government of land, typically 50 acres. Headrights could be purchased and combined.
5. Breen and Innes, p. 111.
6. *Ibid.*, p. 5.

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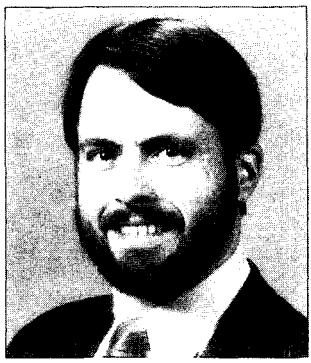

The New Assault on Capitalism

Capitalism has long had more than a few critics on the left. For years it was said that collectivism would eventually outproduce the market. That claim died with the Soviet Union. What remained of the left then began to complain that capitalism generated too many material goods.

The charge always was incongruous coming from a Gucci-clad elite who enjoyed the best the market system had to offer. But now similar attacks on capitalism are coming from an even stranger source, the right. The market, it is said, is a threat to family, human relationships, values, and virtue. Government programs like Social Security are said to be pro-family.

Both freedom, which, of course, is what capitalism is all about, and virtue are obviously under assault today. Government takes and spends roughly half of the nation's income. Regulation further extends the power of the state in virtually every area of people's lives. Increasing numbers of important, personal decisions are ultimately up to some public functionary somewhere.

Virtue, too, seems to be losing ground daily. Evidence of more decline is plentiful enough in America's political leadership. Things are scarcely better elsewhere in society, as family and community breakdown continues apace.

Unfortunately, the problem is being compounded as onetime supporters of both liberty and virtue are setting the two against each other, treating them as frequent antagonists, if not permanent opponents. At the very least, they suggest, you cannot maximize both liberty and virtue, but, instead, have to choose which to promote and which to restrict.

However, it would be a mistake to assume that one must be sacrificed for the other. Rather, they are complementary. That is, liberty—the right to exercise choice, free from coercive state regulation—is a necessary precondition for virtue. And virtue is ultimately necessary for the survival of liberty.

Virtue cannot exist without freedom, without the right to make moral choices. Coerced acts of conformity with some moral norm, however good, do not represent virtue; rather, the compliance with that moral norm must be voluntary.

There are times, of course, when coercion is absolutely necessary—most importantly, to protect the rights of others by enforcing an *inter*-personal moral code governing the relations of one to another. The criminal law is an obvious example, as is the enforcement of contracts and property rights.

However, virtue reflects a standard of *intra*-personal morality. As such, it is an area that lies beyond the reach of state power.

Of course America today does not seem to be a particularly virtuous place. But then, the natural human condition, certainly in Christian theology, and in historical experience, too, is not one of virtue. "There is no one righteous, not even one," Paul wrote in his letter to the Roman church, citing the Psalms

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(Rom. 3:10). This explains the necessity of a transcendent plan of redemption.

Societies can be more or less virtuous. Did ours become less so because government no longer tries so hard to mold souls? Blaming moral shifts on legal changes mistakes correlation for causation. In fact, America's one-time cultural consensus eroded during an era of strict laws against homosexuality, pornography, and even fornication. Only cracks in this consensus led to changes in the law. In short, as more people viewed sexual mores as a matter of taste rather than a question of right and wrong, the moral underpinnings of the laws collapsed, followed by the laws.

What Government Can't Do

Government has proved that it is not a particularly good teacher of virtue. The state tends to be effective at simple, blunt tasks, like killing and jailing people. It has been far less successful at reshaping individual consciences. Even if one could pass the laws without changing America's current moral ethic, the result would not be a more virtuous nation. True, there might be fewer overt acts of immorality. But there would be no change in people's hearts: Forcibly preventing people from victimizing themselves does not automatically make them more virtuous, righteous, or good. It is, in short, one thing to improve appearances, but quite another to improve society's moral core.

Indeed, attempting to make people virtuous by force would make society itself less virtuous in three important ways. First, individuals would lose the opportunity to exercise virtue. They would not face the same set of temptations and be forced to choose between good and evil. This approach might thereby make their lives easier. But they would not be more virtuous, and society would suffer as a result. In this dilemma we see the paradox of Christianity: a God of love creates man and provides a means for his redemption, but allows him to choose to do evil.

Second, to vest government with primary responsibility for promoting virtue short-changes other institutions, or "governments" in Puritan thought, like the family and church, sapping their vitality. Private social institutions find it easier to lean on the power of coercion than to lead by example, persuade, and solve problems. Moreover, the law is better at driving immorality underground than eliminating it. As a result, moral problems seem less acute and people may become less uncomfortable; private institutions may therefore be less likely to work as hard to promote virtue.

Third, making government a moral enforcer encourages abuse by majorities or influential minorities that gain power. If one thing is certain in life, it is that man is sinful. Yet the effect of sin is magnified by the possession and exercise of coercive power. Its possessors can, of course, do good, but history suggests that they are far more likely to do harm. They may start with the best of intentions, but that doesn't prevent them from turning a supposedly family-friendly Social Security into a coercive public Ponzi scheme lurching toward fiscal disaster.

And as America's traditional Judeo-Christian consensus crumbles we are more likely to see government promoting alternative moral views. This is possible only if government is given the authority to coercively mold souls in order to "promote virtue." Despite the best intentions of advocates of statecraft as soulcraft, government is more likely to end up enshrining something other than traditional morality. All told, an unfree society is not likely to be a virtuous one.

In the end, people need to be more willing to tolerate the quirks and failings, even serious virtuous lapses, of their neighbors, so long as such actions have only limited effect on others. They should leave the punishment of most sins to God.

The fact that government can do little to help does not mean that there is nothing it should do. We would all be better off if public officials adopted as their maxim "first, do no harm." Although the community-wide moral breakdown most evident in the inner city has many causes, government policy has exacerbated the problem at almost every level. Governments punish both marriage and thrift through their tax policies. The state has spent years attempting to expunge not only religious

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NOTES FROM FEE

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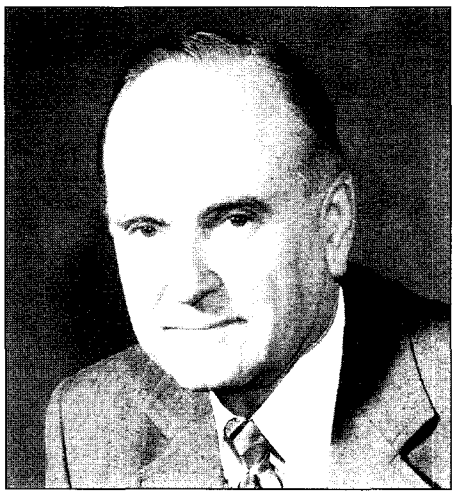
May 1997

A Farewell

by Hans F. Sennholz

In looking forward to a new retirement, my second in a professional career, I must acknowledge a debt of gratitude I owe *The Freeman* family. I am indebted for the great trust it has placed in me and for the steadfast support it has given me during the last five years at the helm of The Foundation. In the discharge of this trust I hope to have contributed a little to the endeavor.

When I joined the staff of FEE in the spring of 1992 I had never managed a company of men and women united in a common task. I had been a happy college professor who would meet his two classes every day, hold forth about the principles of individual freedom and the private property order — as my teacher and mentor, Ludwig von Mises, had done at New York University — and then retreat to my books and chores at home. I felt fortunate in my role as a college professor who is nearly as free and independent as a person of great wealth but also enjoys the challenge and stimulation which an academic pursuit may offer.



To manage a business of any sort is an exacting task. The manager must give his enterprise purpose and direction and supervise the production effort. With his eyes glued on revenue and cost, he must continually promote the former and restrain the latter. The operations of an eleemosynary institution demand the same attention to economy but otherwise differ from those of a private enterprise. A company renders marketable services to its customers who keep it alive by patron-

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izing it. In order to prosper, it must be efficient and productive in its tasks. A charitable organization is designed to serve charitable ends which may have little market value to the recipients but much value to the donors who finance the service. To please the donors who provide the substance and support is a vital task.

For all working foundations, to earn and maintain the good will of donors is a crucial task which demands thoughtful consideration by the chief executive officers. Many seek the assistance of a professional fundraiser or even a staff of "directors of development," as they are commonly called. They may specialize in the various branches of the huge eleemosynary industry, such as bequests, grant-making foundations and corporations, and the numerous bureaus of government. The directors continually shape and reshape their proposals in order to please the donors. They in turn love to work with the directors who know how to please their benefactors.

A working foundation must compete with other charitable organizations not only for the donor dollar but also the customer dollar. If efforts are made to render marketable services and earn an income, it may become more reliable than the donor dollar. To build a charitable organization on the good will of a few donors only is to build on a precarious foundation. A college, which is a charitable institution, depends primarily on the tuition revenue it earns; alumni donations provide supplementary revenue for special projects. A working foundation such as FEE can learn a lot from a private college that is competing successfully with taxpayer-financed state colleges.

When I was persuaded to take the helm of FEE I was unaware of the countless aspects and elements of management of an active think tank. The CEO is expected to wear two rather different hats: that of a scholar enjoying the world of ideas and communing with writers, editors, and teachers, and that of a businessman who must keep his company alive financially. While the scholar's cap may fit a retired college professor rather well, the businessman's hat wears heavy on the head of most professors, especially one who is to rescue a loss-ridden enterprise. The great weight of this hat explains not only the rapid succession of think tank CEO's but also the high mortality rate of their organizations.

If it had not been for the invaluable assistance and wise counsel of my wife, Mary, I probably would have contributed to the short-lived CEO tenure. As a member of the Leonard Read staff during the first eight years of FEE's existence, she remembered the enthusiasm, dedication, affability, and cooperation of the early team. Looking back at the glory years of FEE beginnings, she remembered the joy and jubilation about the release of F. A. Harper's brilliant *Liberty: A Path to Its Recovery*, Henry Hazlitt's special FEE edition of *Economics in One Lesson*, and Ludwig von Mises's magnum opus *Human Action*. Professor Mises, the economic adviser to FEE, liked to stop at her desk and encourage her in her studies of eighteenth-century French economic and political thought. Forty years later, I would regularly retreat to her desk, seeking her advice and counsel as an indispensable member of my staff. She would recall the problems, difficulties, and disappointments of the Read endeavor and, in comparison, judge my difficulties of lesser magnitude. She made me hold fast to the helm always with a firm admonition:

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"Honor can only be purchased by your deeds. You cannot quit with honor." While honor bound me in my position, she was the navigator who held the course.

When I was asked to take the FEE helm many supporters were apprehensive about the future of FEE. They were troubled by the shrinking donor and customer bases and frequent changes of helmsmen — there had been four in just nine years. Others were concerned about the half-hearted intention to move FEE from its beautiful moorings in Irvington-on-Hudson to unknown harbors in the west. The move from a high-cost location to a low-cost base was meant not only to substantially reduce the cost of operation but also liquidate the sizeable fixed capital invested in FEE buildings and real estate. Other friends of FEE worried about its future because the splendid example which it had set in its glory days with Leonard Read, the founder, had spawned new competition especially by powerful political think tanks in Washington. They were drawing considerable support away from FEE. Indeed, the Foundation had lost two-thirds of its donor base and was suffering painful losses, which cast doubt on its survival.

My years at the helm of FEE were exciting, challenging, and most rewarding. They witnessed an important transformation and rejuvenation. The old guard, which had carried the torch since the 1940s and 1950s, handed it to a new team of dedicated and brilliant young men and women. They achieved a publication feat never accomplished before; in just five years they added 79 books to the FEE repertoire: 21 new titles, 23 anthologies preserving great *Freeman* essays and articles in book form, and 35 reprints of great books the rights of which FEE owned or managed to acquire. All books were priced at the market, that is, at a price which commands the interest of book clubs and retailers and thus facilitates the greatest volume of sales. For the first time in FEE history, the Conservative Book Club, Laissez Faire Books, and other kindred distributors began to market FEE publications. Moreover, all FEE titles were made available through bookstores from coast to coast; many are promoted and distributed by Associated Publishers Group in Nashville, Tennessee. FEE itself greatly expanded its book marketing and retailing from a few titles, primarily Leonard Read releases, to more than 425 in economics, philosophy, history, sociology, and political science. FEE is engaged in a thriving book business.

FEE productivity now rests on computer technology which has raised the productivity of staff labor immeasurably and reduced the onerousness of human effort. While FEE used to work with a staff of 36 full-time and nine part-time helpers, it now relies on 15 regular members and a few part-timers. Equipped with state-of-the-art computer equipment and matching software, the present staff undoubtedly is more productive by far than the earlier team. It may take one person several hours to program a computer writing letters and printing envelopes and, with the help of a Pitney Bowes Spectrum Insertion System, stuff and mail 3,000 letters or 3,000 *Freeman* magazines in one hour, which a dozen diligent ladies used to accomplish in several days.

Since it came to FEE in 1955, *The Freeman* has been the primary mouthpiece of the FEE philosophy. The brilliant Paul Poirot edited it until his retirement in 1987, giving it clarity,

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consistency, and continuity. The monthly issues now are prepared by various "guest editors" who take charge of one issue each. The "guest-editorship" draws upon the large pool of talents of numerous writers and authors and draws them into the world and work of *The Freeman*. It is very popular with able professional writers who would be reluctant to assume the responsibility for all *Freeman* issues but enjoy editing and taking charge of a single issue. Since 1992 *The Freeman*'s size has grown from 48 pages to 64 pages or even 72 pages. The number of contributing editors has risen from three to 15, the number of regular columnists to three.

The Freeman now carries regular columns by some of the brightest minds in the industry. Mark Skousen, the writer and publisher of *Forecasts & Strategies* and author of several treatises on economics, pens the column "Economics on Trial." Larry Reed, the influential president of Mackinac Center, writes on "Ideas and Consequences," and Doug Bandow, a nationally syndicated columnist, holds forth on "Potomac Principles."

Since March 1996 International Periodical Distributors (IPD) in Solana Beach, California, has been distributing *The Freeman* to bookstores and newsstands. IPD is the largest magazine distributor in the world, shipping periodicals from its warehouse in Harrisburg, Pennsylvania, to all corners of the world. Harrisburg is just 30 miles from Lebanon where *The Freeman* is printed by Sowers Printing Company.

The Freeman has subscribers in 70 foreign countries. It is read on all continents. Yet millions of people are unaware of its existence; *The Freeman* message is unknown although there is

Words to the Wise

***Wisdom** teaches what is right in matters of life and conduct. It guides and supports us better than all other possessions.*

***Justice** is the quality of being righteous not only in our personal affairs but also in the body politic. It discards all considerations of friendship, kinship, and party membership.*

***Character** is the primary element of life. We cannot build it by depriving man of his self-reliance. We cannot strengthen it by doing for him what he should do for himself.*

***Progress** is the wondrous gain of man, since time began. It springs from his inventive genius, his ability and will to work, and his discipline of thrift.*

***Freedom** is the quality of being free from the control of regulators and tax collectors. If I want to be free of their control, I must not impose controls on others.*

*Wherever **politics** intrudes upon economic life, political success is readily attained by saying what people like to hear rather than what is demonstrably true. Instead of safeguarding truth and honesty, the state then tends to become a major source of insincerity and mendacity.*

—HFS

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a great hunger for it since the disintegration of Soviet communism. There is a wide-open market ready to be served. Since The Foundation for Economic Education is the only nonpolitical conservative and libertarian institution studying and teaching the basic principles of human cooperation, it is the only one that can reach out to the world. FEE principles apply to all nations, races, creeds, and classes.

Our newspaper department reaches some five to ten million readers with abbreviated *Freeman* articles. Every week it sends one article to some 320 American newspapers; every second week it sends one to a network of translators in Russia, Poland, Lithuania, Finland, Romania, the Czech Republic, Hungary, Albania, Germany, Italy, India, Kenya, and Brazil. For all Spanish-speaking countries we have an Argentinean translator on the staff. A FEE agent in Australia places *Freeman* articles in Australian newspapers. We pay a small honorarium for a translation and publication; we do not pay for translations only.

Since 1993 we have been laboring to rebuild and expand the FEE network of nationwide Freeman Societies and Discussion Clubs. Dr. Felix Livingston, our Vice-President and Director of Freeman Services, managed to organize 170 clubs in 41 states and 17 foreign countries. The students of liberty are reading *The Freeman* and studying FEE literature in Albania, Argentina, Australia, Brazil, Canada, the Czech Republic, Finland, Italy, Kenya, Lithuania, the Netherlands, Poland, Puerto Rico, Romania, Sweden, and Uganda. The candle which Leonard Read lit in 1946 is shining brighter than ever before.

The Foundation continues to conduct a wide variety of classes and seminars. Every spring FEE sponsors classes for undergraduates; during the summer it offers one-week seminars of adult education by a staff of college professors and well-known writers. While the seminar activity takes place at FEE headquarters in Irvington, public lectures by the senior staff are given wherever there is interest in freedom ideas. The rapid growth of the Society network necessitates ever more traveling and lecturing. As in the days of Leonard Read, the staff is on the road again.

The high point of my Foundation tenure was the celebration of our Golden Jubilee with former Prime Minister of Great Britain, Margaret Thatcher, on April 11, 1996. It was a triumphal evening at the Waldorf-Astoria in New York City in which some 800 friends of FEE acknowledged their indebtedness and loyalty to FEE. On the next day, two *Wall Street Journal* articles carried the news of our celebration to all corners of the financial world, applauding us for our labors in the vineyard of freedom. To memorialize the day, we struck a beautiful one-ounce gold coin with Lady Thatcher's image on one side and the FEE emblem on the obverse. Being marketed on all continents, the coin is bringing the existence and message of FEE to the attention of many thousands of people who are fearful of fiat money inflation but trustful of the enduring value of gold.

There is much life at FEE because total revenue has doubled since 1992 as have the reserves in the form of liquid assets. Publication income has risen manyfold. Expenditures are held below the level of income, always operating in the black, which instills confidence and encourages us to reach out to new markets and functions. We are confident that, in the coming years,

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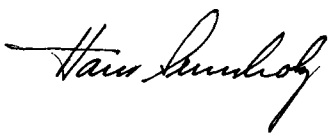
FEE will continue to pursue its noble task with vigor and dedication.

We don't know what the future has in store for this Foundation. Its fate will be ruled not only by the institutional conditions of the future but also by the choices and actions of the men and women who will manage it. In final analysis, the future of FEE will depend on the wisdom of the trustees who select and elect the managers.

The present management sought in vain to develop a partnership with colleges and universities where American youth is trained and educated. It failed to offer economic instruction to teachers seeking postgraduate credits and to confer advanced degrees. On all its levels, American teaching is circumscribed and bound by the academic degrees held by the instructors. The degrees function as licenses, most of which are issued by mammoth state universities, the public breeding grounds for statism and collectivism. More than 15 million young Americans are enrolled in post-secondary education of whom some nine million attend four-year institutions and six million two-year colleges. Very few of these students find their way to freedom by their own counsel. They need instructors who hold forth on the beauty of freedom and inform young minds about the basic principles of a free society. Several million Americans probably have the ability and knowledge to instruct our youth in the freedom philosophy; unfortunately, only a few have the licenses that admit them to the classrooms. This is why the conferring of academic degrees by private educational institutions like FEE is of vital importance for the reformation of American education and the dissemination of the freedom philosophy.

The new FEE management hopefully will be more successful in developing a partnership with colleges and universities that confer advanced degrees. It may also want to assist teachers through 800 and 900 phone-line service and provide a teacher hot-line which keeps FEE instruction always on line. It may develop computer software for courses such as "Introduction to Economics" and "Current Economic Issues." It may develop a "Quote for the Day" which would put a quotation online at various times during the day. It may put *The Freeman* on CD-ROM and use other state-of-the-art technology to present the FEE philosophy. It may launch a FEE Gideon program putting *The Freeman* and FEE books in every school library. In short, it may succeed in discovering ever new ways in pointing to the light.

We cannot wish for what we know not. But we do know that freedom is a just and noble cause. May the Foundation forever be faithful to its cause.



Hans F. Sennholz

You cannot correct all the evils of the world, nor relieve all the poverty in the world.

You cannot comfort all in distress, nor support all the underprivileged.

But you can stand by FEE which brings the light of freedom to the world.

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UP FROM POVERTY

Reflections on the Ills of Public Assistance

Edited by Hans F. Sennholz

From the beginning of history sincere reformers as well as demagogues have sought to abolish or at least to alleviate poverty through state action. In most cases their proposed remedies have only served to make the problem worse. The most frequent and popular of these proposed remedies has been the simple one of seizing from the rich to give to the poor. This remedy has taken a thousand different forms, but they all come down to this. The wealth is to be "shared," to be "redistributed," to be "equalized."

What is net effect of "social" measures aimed at "helping the poor"? All of them must be paid for by that chronically Forgotten Man, the taxpayer. The mounting burden of taxation not only undermines individual incentives to increased work and earnings, but in a score of ways discourages capital accumulation and distorts, unbalances, and shrinks production. Total real wealth and income is made smaller than it would otherwise be. On net balance there is more poverty rather than less.

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Edited by Mary Sennholz

The moral precepts and the self-evident truths that guided our Founding Fathers may not be fashionable in our time, but they are as inescapable and inexorable as they have been throughout the ages. We are free to ignore and disobey them, but we cannot escape the rising price we must pay for defying them.

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New from FEE !

SUBSURFACE WEALTH

The Struggle for Privatization in Argentina

By Guillermo M. Yeatts

In 1865, only seven years after the oil business was born in Titusville, Pennsylvania, the first attempt at oil exploration was made in the province of Jujuy, Argentina. In contrast with the extraordinary development and growth that the U.S. oil industry experienced, early attempts by oil pioneers in Argentina were met by a brick wall—public property of the subsurface and the resulting state intervention in the industry. In the United States, the prospect of striking oil fueled the dreams and guided the actions of thousands of landowners, investors, and independent prospectors. The oil business quickly expanded in the United States, bringing prosperity to apparently barren and desert areas. No development of this sort took place in Argentina. Public ownership of the subsurface discouraged all incentives for risk-taking, investment, and technological innovation. The regions with oil potential were doomed to oblivion and poverty; their inhabitants migrated to more prosperous areas.

This book exposes and analyzes the institutional framework that restrained the development of the oil industry in Argentina, and develops a proposal for radical change—giving surface owners title to the subsurface.

Guillermo M. Yeatts was born in Buenos Aires, Argentina, and obtained his B.S. in Finance and his M.A. in Economics from New York University. He has completed the OPM Program at Harvard University Graduate School of Business Administration in Cambridge, Massachusetts. He is presently the Chairman of Phoebus Energy Ltd., which controls Sol Petroléo S.A. in Buenos Aires, a refiner and marketer of oil products in Argentina. Mr. Yeatts is a founding member and a Director of ESEADE, Graduate School of Business Administration and Economics, established in Buenos Aires in 1978. He is a Trustee and member of the Board of Directors of the Northlands primary and secondary school in Buenos Aires, President of FEEL (Foundation for Energy Studies in Latin America), and member of New York University Business School Global Advisory Board.

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practices but also religious values from the public square; the public school monopoly discourages moral education.

Nevertheless, freedom is not enough. While liberty is the highest political goal, it is not life's highest objective. Moreover, while a liberal, in the classical sense, economic and political system is the finest one available, it will operate best if nestled in a virtuous social environment. And forming that environment requires sustained effort, including bringing social pressure against businessmen in the marketplace—the purveyors of gangster rap, for instance.

Those who believe in both a free and virtuous society face serious challenges in the coming years. But neither cause will be helped by playing them off against each other. In the end, neither is likely to survive without the other. □

A Friendly View of Dealing

by Tibor R. Machan

When people set out to buy or sell in the marketplace, they do so with some terms in mind. But they don't know the exact terms they will accept before they start bargaining or as they compare different offers (among stores in a mall, for example). Indeed, considering a trade is itself only the first step to establishing its terms. As the process culminates, prices and other mutually acceptable conditions are determined.

Some view this as if the parties would need to compromise, since they do not usually end up with the terms they initially have in mind. There is, however, no compromise involved at all since there is no such thing as one party to the trade alone knowing what the price is. As in any necessarily cooperative venture, all participants, together, establish the crucial features involved. (In language, for instance, no one individual sets the precise meaning of concepts or words.) They may stick to some minimum requirements without which they will refuse to trade, in which case no price will be agreed to. Finding the right price is a necessarily mutual process, since it is something that registers the terms of agreement, as it were.

Sometimes people feel awkward about not accepting another's terms right from the start. It seems like asserting themselves too much. This is more a sign of lack of confidence in their own role in the market process, as if the parties didn't have justice on their side by asserting their own interests. Well, one feature of justice is that when two or more parties consider coming together on some matter, they do so on mutually agreed terms rather than compelling someone to comply with the demands of another in the process. This is because *justice is*, in part, *respect for another's standing as a full human being*, a person with his or her judgments to make about his or her conduct in life, including whether and on what mutual terms to join others in certain endeavors.

This kind of justice, however, is conditioned on a more basic moral principle—that one's

Dr. Machan, on leave from Auburn University, is educational programs director for Chapman University and Freedom Communications. He is working on his next book, Business Bashing, Why It's Hazardous to Your Health.

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own life is not only for one to govern but ought also to be enhanced, for example, *via* trade. This is the practice of prudence. There can be occasions when the virtue of prudence is not so urgent as would be generosity or courage. Still, it is normally vital to living a good human life, so justice must make room for it, for example, in the course of commerce.

Now some interesting points follow from this. One is that obtaining what is deemed a high price for one's goods and services is going to depend, in part, on how those kinds of things are being received throughout the marketplace. Another is that most attempts to obtain a high price need to be understood as perfectly justified, unless, of course, they are outrageous (in comparison to how such goods or services fare in the marketplace). Even when folks find a price annoying, say when it is raised comparatively high in times of crises, they need to recall that such a move is often an honest expression of hope for some extra revenue for the seller in the light of a rare opportunity. This is nothing to scoff at. No one scoffs at it when done for people by their representatives in contract negotiations or when an agent embarks in one's behalf in selling real estate. Some do call it gouging when folks try to cash in on the sudden need of others, but such is not the case unless deceit or fraud is perpetrated.

Furthermore, the derided business practice of advertising is best understood as a kind of hopeful "holler" to us from sellers who are trying to put meals on their tables, kids through school, or insurance payments in the mail by attracting us to their goods and services. They are calling out to us—on radio, TV, magazines, billboards, flyers, catalogues (what we so harshly call "junk mail")—so we might pay attention to what they are offering and we could well use. One should never get upset with advertising—it's just the cosmetics employed by the sellers in the course of seeking out a trade, calling attention to their good features in the attempt to attract a good reception from potential buyers. It can misfire in some ways, including outright deception or, less drastically, tastelessness or stupidity.

It would be very nice, more generally, if many people didn't have a one-sided view of the pursuit of economic well-being. This one-sidedness consists in finding one's own pursuit honorable but that of others nearly always degrading. Such an adjustment of attitude would do a lot to raise the reputation of the free market and, thus, of the prospects of general prosperity. □

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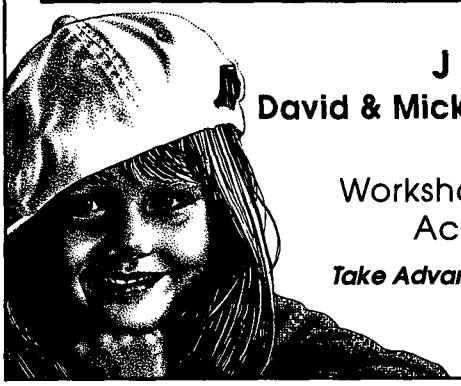

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Benefit Societies in America: The Way It Used to Be

by Michael L. Probst

Conventional historical wisdom might suggest that there was very little poverty relief in the United States prior to the emergence of the government welfare state. This is not so. Before welfare assistance became institutionalized, a network of private fraternal organizations provided economic security to workers and relief to people in need. Those voluntary societies rendered support services based on the principle of mutual aid. By the end of the second decade of this century, 18 million adult Americans—including nearly 30 percent of the male population—held membership in fraternal societies.[1] The fraternals offered such services as death and burial benefits, medical care, unemployment and sick relief, and education.

These mutual aid societies are referred to in a variety of ways—as benefit, fraternal, benevolent, or friendly societies. Some bore elaborate or unusual names. Many have disappeared, but others, including the Masons, Elks, Odd Fellows, and Eastern Star—continue their work today, providing medical and scholarship assistance for the young and residential care for aged members.

These societies are of interest to free-market proponents for several reasons. First, the benefit society tradition honored the free-market ideal of voluntary exchange. Second, mutual aid societies were mostly successful at avoiding social problems that characterize the present welfare state—rising illegitimacy, broken families, rampant drug abuse, and pervasive violent crime. Finally, the mutual aid tradition declined dramatically about the same time the welfare state began its rise. This deterioration lends support to a common argument made by classical liberals—that as the state assumes responsibility for economic relief, private assistance diminishes.

Mr. Probst is a freelance writer in Auburn, Alabama.

Economic Functions of Benefit Societies

1. Life Insurance

The primary and most widely offered fraternal services were death and burial benefits, which provided a proper burial for the deceased and relief to the surviving family members.[2] The insurance was priced within reach of a typical worker. In terms of today's prices, the benefits could be purchased for about the cost of a single movie ticket per week. Besides providing the death benefit, the societies also commonly offered sick benefits,[3] which were similar to today's unemployment insurance. These benefits provided relief for a member during periods of inability to work due to accident or illness.

Fraternal insurance could also be used to self-insure against poverty. A member arranged such protection by appointing the charitable institution in charge of his care as

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the beneficiary of his policy. Moreover, many societies also made provisions allowing for loans to be taken out against the value of a life insurance certificate.[4]

2. Medical Services

In the early part of the twentieth century many fraternal organizations began to make medical care available. They created something similar to the HMOs of today by contracting out for the services of doctors who agreed to provide care for members. The fees were as low as $1 per year and coverage could be extended to members' families. This protection allowed for visits to the doctor's office and for house calls on request.[5]

3. Education

Other services to which the benefit societies devoted considerable resources included education and job training. This was especially true among the black fraternals. The broad range of education opportunities is indicated by one society's advertisement offering tutelage in "kindergarten, English, normal, college preparatory (classical), college course (classical), industrial, sewing, cooking, fancy work, bicycle, umbrella and furniture repairing, mattress making and upholstery."[6]

Immigrants, too, used the benefit society as a tool for education. Because many of the new arrivals spoke only their native language, lessons in English were essential.[7] Immigrant societies played an invaluable role in this respect, helping to educate and acclimate new arrivals.

Social Functions of Benefit Societies

Most fraternal societies did not confine their activities to mutual aid. Through the use of economic sanctions, the societies typically worked to encourage the practice of high moral standards as well. For example, the Boston African Society stipulated that persons whose misfortunes resulted from their own intemperance thereby forfeited all benefits. The Odd Fellows were also diligent in this respect, allowing membership only to those of "undoubted probity" and specifically denying access to known gamblers.[8] This moral encouragement not only helped bring members the advantages of living more wholesome lives, but it also served to help keep the payment of benefits in check.

Because the benevolent societies were formed along the lines of mutual aid, members had a direct interest in the health and well-being of their fellows. The desire to keep benefit payments low created an incentive for members to monitor each other's behavior in order to minimize the "moral hazard." In effect, peer pressure was used to check the conduct of members, thus allowing everyone to reap both social and economic advantages.

Fraternal societies also helped to foster pride and self-respect among members. The source of this pride lay in the very *nature* of their relief system. Because the societies were self-supporting, the benefits they dispensed were not considered charity, and this, of course, helped preserve the dignity of the recipients of its aid. Even the poorest of the poor did not want to be on public relief. When benefits were dispensed by the fraternal society, the recipients were able to view them as an entitlement *earned*, something they themselves had helped to finance with their previous contributions.[9]

Problems

While the benefit societies were viewed favorably by most, they were not without their critics. The most fundamental charge against them was that the aid they delivered was inadequate. As historian David Beito points out, however, the concept of relief has changed in recent history. The only benefit now taken into account is the number of dollars spent. Before the emergence of the welfare state, however, the adequacy of support was measured in other ways. Satisfactory assistance also implied ideas such as the building of "character, self-respect, and independence."[10]

Interestingly enough, some of the most ardent supporters of the welfare state are coming to terms with the apparent inability of state-run forms of relief to provide the nonmaterial benefits associated with voluntary

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aid. Even in mainstream policy discussions, the consideration that government welfare programs may, in fact, be unfit to encourage these values is not uncommon.

Professor Beito cogently argues that those who required help before the modern welfare state might very well have envied the material aid the disadvantaged presently receive—housing, food, and income—all guaranteed by the state. But if traits such as self-improvement, self-respect, pride, family and community cohesion, and relatively safe neighborhoods are considered, today's disadvantaged class might be very willing to change places with those who depended on mutual aid.[11] The success of the benefit societies is that their mutual aid function helped them provide relief to those in need while largely avoiding the social breakdown so evident in our current welfare state.

Decline

So what happened to the benefit societies and their practice of mutual aid? There are various explanations, some accounting for the disappearance of specific services the societies once provided, others accounting for their decline in general. For instance, Beito reports that the provision of medical care by the fraternals came under attack shortly after the turn of the century by physicians who viewed the fraternals' contracts with doctors as "a threat to traditional fee-for-service medicine." By the 1920s these efforts had largely succeeded, and the loss of medical services in particular is considered a major cause of the organizations' rapid decline.

Probably the best and most complete explanation for the decline of the fraternal societies, however, is the rise of the modern welfare state. Simply put, government benefits have replaced the need for the provision of the fraternals' mutual aid.[12]

Anecdotal evidence of government welfare activities displacing mutual aid abounds. For example, when workers' compensation was launched in the 1910s and 1920s, employees' mutual aid organizations withdrew "*en masse* from providing industrial accident insurance." Further evidence is that by 1931, most states provided mothers' pensions, and in the 1930s, Social Security and Aid to Dependent Children were introduced. These increases of government involvement in economic relief paralleled decreases of mutual aid activities.[13] While it is possible that such parallels were only coincidental, it seems much more likely that state benefits replaced the need for ones provided by the fraternal societies.

Conclusion

For persons concerned about the plight of the disadvantaged in the United States today, the experience of the past may provide the best guide for the future. Comparing the American tradition of mutual aid to the modern welfare state seems to confirm F.A. Hayek's ideas regarding progress and the human social order. Hayek believed that human achievement was not the result of conscious, collective planning. Instead, Hayek argued, progress emerges from a trial-and-error process wherever people are free to copy behavior that has proven successful for others. Maybe it's time we abandon the centrally planned welfare state and return to a model developed through successful experimentation—a model based fundamentally on the concept of voluntary mutual aid. □

1. David T. Beito, "Thy Brother's Keeper," *Policy Review*, Fall 1994, p. 56.
2. *Ibid.*, p. 55.
3. Howard W. Odum, *Social and Mental Traits of the Negro: Research into the Conditions of the Negro Race in Southern Towns* (New York: Columbia University Press, 1910), p. 115.
4. Richard DeRaismes Kip, *Fraternal Insurance in the United States* (Philadelphia: College Offset Press, 1953), pp. 114–129.
5. Beito, p. 56.
6. Odum, pp. 113–114.
7. Beito, p. 58.
8. Leonard P. Curry, *The Free Black in Urban America, 1800–1850: The Shadow of the Dream* (Chicago: University of Chicago Press, 1981), p. 211.
9. Beito, p. 58.
10. David Beito, "Mutual Aid for Social Welfare: The Case of American Fraternal Societies," *Critical Review*, Fall 1990, p. 720.
11. *Ibid.*, pp. 723–724.
12. Beito, *Policy Review*, pp. 58–59.
13. Beito, *Critical Review*, pp. 726–727.

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How Galveston Opted Out of Social Security

by Ed Myers

In south Texas, along the windswept Gulf Coast where multitudes of hurricanes have made landfall over the centuries, there are three history-filled, ahead-of-their-time counties: Galveston, Brazoria, and Matagorda.

Until the early 1980s government entities, such as cities and counties, had the right of opting out of Social Security and establishing their own retirement system. This option had been provided when the Social Security Act was passed in the thirties.

Galveston County in 1979 looked into this idea when then-County Attorney Bill Decker contacted Don Kebodeaux, highly successful Houston businessman, and asked him if he could devise a plan so that Galveston County could opt out of Social Security. At that time Social Security was on the verge of bankruptcy and no one knew what the future held. Don pondered the problem and called in his friend Rick Gornto, a leading financial expert, who was later to become his partner. These two hard-driving and foresighted businessmen, realizing the coming problems in Social Security, designed a new program for political subdivisions that would provide a retirement plan for employees that was many times better than the existing Social Security program. Satisfied with the new program, and in order to properly present and handle this program, these two Texas entrepreneurs organized several companies that became the First Financial Group.

The men from First Financial took their ideas, which they called *The Alternate Plan,* to Galveston County and presented them to County Judge Ray Holbrook and the Commissioners Court in 1980. When Judge Holbrook, a quiet, soft-spoken Texan, and County Attorney Bill Decker, a man dedicated to the betterment of his county, saw the wisdom and foresight of this concept they took charge and shepherded the plan through its various stages.

The beauty of the plan was simplicity itself. The 6.13 percent rate that the government had been taking out for Social Security in 1981 now would go into the pension fund for employees and would be matched by the county. Life and disability insurance were included at first to match exactly the Social Security benefits. In recent years the county increased its participation to 7.65 percent, which included payment of all premiums for life and disability insurance. The life insurance benefit for those under age 70 is 300 percent of one's annual earnings with the minimum benefit of $50,000 and a maximum of $150,000.

Many spirited debates were held throughout the county between Social Security representatives and the men from First Financial for the benefit of the county employees to answer all questions. Balloting on the question was held in 1981. By a resounding vote

Ed Myers is author of the book Let's Get Rid of Social Security.

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of 78 percent to 22 percent, the Galveston County employees endorsed the idea and the county opted out of Social Security.

The local unions fought the idea at first, and several Galveston County officials also opposed the action. As time went on and they learned more about the program, nearly all of them saw the sound judgment in this course of action. Years later Decker, by then retired, told the story of how a number of unionized county workers thanked him for his wisdom and guidance. They said at first they had serious doubts about giving up the fixed income of Social Security, but now that they were getting ready to retire they were very happy they did.

"*The Alternate Plan* has been a godsend for Galveston County and clearly improved employee benefits," said Judge Holbrook recently. He continued, "The 22 percent who voted against it in 1980 are all supportive now and see the many benefits of having a retirement program other than Social Security, which most employees under age forty believe will not be existing when they retire because there will not be enough workers to contribute to this pay-as-you-go system. And now no one objects to the mandatory feature which was made part of The Plan a few years after it started." Judge Holbrook, who retired in 1994 after 28 years of distinguished service, concluded his narrative by saying, "Of all the things I accomplished while county judge, setting up this retirement system for Galveston County employees is one of my proudest achievements." Now in retirement, Judge Holbrook also pointed out that after just 12 years of service under *The Alternate Plan* he is now receiving twice as much as he would have under Social Security.

Seeing this tremendous potential in 1982 Brazoria County followed suit and opted out of Social Security in favor of *The Alternate Plan.* A year later Matagorda County climbed on board.

Tolbert Newman, operations manager for the First Financial Group who handles the overall responsibility for these plans for the three counties, cites the following example of the growth that can be achieved in this *Alternate Plan* pension fund. If an individual is 25 years old and makes a $2,000 annual contribution for just ten years, assuming an 8 percent earnings rate, this individual will have $314,870 when he or she retires at age 65. If he works continuously for 40 years, he may well have accumulated a million dollars, depending on his contributions.

This idea began taking hold in a big way. The entrepreneurial spirit was alive and well. In a short period of time the idea spread and some 200 other counties, as well as many cities, in Texas and throughout the entire country, saw the latent possibilities of the program and were ready to become candidates to opt out and join the plan that First Financial Group had devised.

Then as these other political subdivisions began to set the wheels in motion for this farsighted change, up jumped the devil, Congress. Social Security had gone broke the year before and our legislators were now looking for ways to bail out the system. Capitol Hill had already decided to include the federal employees and then got a rude shock when it looked as though all employees of the various counties in Texas, and others throughout the country, were about to opt out of Social Security. That was a calamity it could not allow, so Congress canceled the opt-out clause in 1983. Fortunately Galveston, Brazoria, and Matagorda counties had their systems up and running and so the grandfather clause applied, and they were allowed to continue their *Alternate Plan,* much to the chagrin of all these other Texas counties.

The Alternate Plan that began as a fledgling, upstart employee benefit plan has stood the test of time and has shown that it can and does outperform Social Security. The plan that started in Galveston County ended the first year with a modest balance. Today, with over 5,000 employees from these three counties *The Alternate Plan* has grown to a very healthy and sizable portfolio. Those who retire after 20 years will receive three to four times the rate as under Social Security. This *Alternate Plan* is not just an isolated act of a group of responsible and dedicated Texans. There are countless other examples of other local and state government entities showing the same

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responsibility and initiative throughout the United States. There are now five states that are not under Social Security and have their own plans: California, Nevada, Maine, Ohio, and Colorado. In the Colorado plan they now have over $14 billion in assets. Local government entities such as police and fire departments have long handled their own retirement plans.

These plans clearly demonstrate that if left alone enterprising Americans can set up retirement systems, second to none.

The private sector, including the self-employed, will benefit from privatizing Social Security as never before. Phasing out the employer's share of the Social Security tax will, over time, return to the business community more than $169.2 billion per year. Not having to pay these FICA taxes in future years will be a tremendous boon to the business climate and the creation of untold new jobs.

Larry N. Forehand, president of the Texas Restaurant Association and founder of Casa Olé Mexican Restaurants, a fast-growing Texas restaurant chain, had this to say: "We currently pay over $1.3 million in matching Social Security taxes annually. If our company had that $1.3 million a year to invest in new locations, we could build six additional restaurants, employ an additional four hundred fifty people and add $7.2 million to the economy every year. Based on current figures it is estimated that all restaurants in Texas will save $1.2 billion per year."

Privatization will bring a win-win situation for all. □

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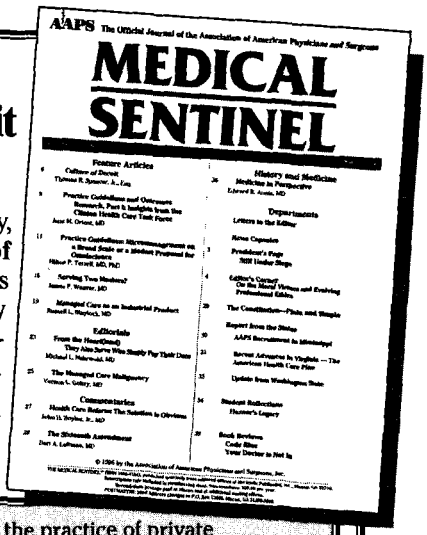
The ***Medical Sentinel*** is the official, quarterly, peer-reviewed journal of the **Association of American Physicians and Surgeons.** The AAPS is the national physician organization that successfully sued the Clinton Administration over the secret dealings of Hillary Clinton's Health Care Task Force. Jane M. Orient, M.D., Executive Director, AAPS; Miguel A. Faria, Jr., M.D., Editor-in-Chief, ***Medical Sentinel.***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THE FREEMAN
IDEAS ON LIBERTY

The True American Tradition

by Wesley Allen Riddle

"[In 1776,] the world was born again. . . ."

". . . [R]emember the deeds of your fathers, and by them receive guidance for the future."
—*American Whig Review, 1848, 1849*

Americans venerated their past and traditions until very recently. Indeed, our sense of national identity is bound up with certain traditions and institutions stemming from the Revolution and the Constitutional Convention. America's sense that Providence had played a role in the founding also served to confer heavy presumptive validity to our national beginnings and to the *original intent* of the founders. Mere theory or the fleeting whim of majority opinion would not sanction change to the original compact between the people of the States before the Deity. While secularization has played its part in the undermining of American constitutionalism, even a secular constitutional republic cannot lose continuity with its past, unless it be transformed.

It was in Abraham Lincoln's day that American historicism suffered a telling blow. The great church denominations had already split North and South before the country drew its famed and tragic geographic line of political divide. One would expect the cataclysm of Civil War that followed to complicate any people's sense of a common heritage or a providential mission. But it was not war, nor emancipation, nor Reconstruction that proved most injurious to that sense. It was an insidious reinterpretation of America's past, one which altered the original compact in the minds of many people, in order to justify the War, to enact and enforce socio-political equality for freedmen, and to impose martial law over half the country for a dozen or more years. The historical revision stayed in place, even after the Union was restored. It continued to work injury to our constitutional form of government and to divorce us literally from our past—*even* from the Founders' original intent and from the terms of our sacred constitutional compact.

The Declaration was elevated to *de facto* Constitutional status. The strictures placed on power by the Founders, their careful system of checks and balances, the Bill of Rights they placed against the federal government—these began to wane as government grew. American constitutionalism gave way to majority *sentiment*, increasingly expressed by the central government's open-ended commitment to vague notions of "equality" and "rights" from language found in the Declaration of Independence. In allowing this to happen, we have ignored the unique historical context of the Declaration, its form and function and words designed for a specific purpose, i.e., for *independence* from Great Britain—*not* for the peacetime structure and aims of a consolidated national government! Most among the very same Revolutionary generation, who fought the British Redcoats after declaring

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our independence, worked hard to give us the Constitution for the specific purpose of establishing a better government. Furthermore, they chose a federal republican form of government over consolidated union. In terms of function as organic law of the land, the Constitution was ratified—the Declaration was not.

Lincoln's Gettysburg Address has served the questionable notion of bridging the outcome of the Civil War to a few words in the Declaration instead of to the Constitution, because fourscore and seven years before 1863 is 1776—not 1789! Although we cannot know all that Lincoln would have done, the historical revision has created a perceived, binding commitment to the advancement of equality at the expense of almost everything else. It was the most amazing "open-air sleight-of-hand. . . . The crowd departed with a new thing in its ideological luggage"—what amounted to a new Constitution.[1] The irony is that at the most basic level (especially as implemented through pure majoritarian democracy), true liberty is incompatible, if not altogether *incompossible*, with total equality.[2] We have since moved away from the principles and practices central to the American political tradition of the Founders—"those associated with self-government by a virtuous people deliberating under God,"[3] and we have embraced a contrived "tradition" instead.

Willmoore Kendall and George Carey equate this embrace to the "derailment" of tradition and the loss of self-government:

> Our Constitution . . . is clearly *nomocratic* in character, largely concerned, that is, with providing rules and limits for the government through which the people express their will. Since the derailment, however, the Constitution is increasingly viewed from a *teleocratic* perspective, as an instrument designed to fulfill the ends, commitments, or promises of the Declaration.[4]

Yet the original Constitution and Bill of Rights say nothing about equality. Moreover, the "rights" of individuals (life, liberty, property, safety, *pursuit* of happiness) until well after the Civil War Amendments, were understood in their relation to good government (and rights of the *people*) in the federalist construct.[5] Indeed, the Declaration did not establish our independence, except as a baker's dozen of new sovereignties! Even then, all thoughtful statesmen knew the endless controversies that must surround the reconciliation of rights and the contradictory values of liberty and equality. That is why the Founders erected a deliberative framework based on a moral foundation, which emphasized the commitment to *self-government*, "to rule the deliberate sense of the community." Article V of the Constitution does, however, give us the only legitimate means of changing our basic commitment: amending the Constitution.[6]

We have amended our Constitution many times, but we have not amended the Preamble, which serves as our finest statement of national purpose. The promise held out is *not* for a perfect union, but for one that is "more perfect." The Framers did not presume to know what a perfect Union is, but they did know something about constituting a "more perfect Union." They did not confuse means with ends. The Preamble does not mention equality, and the omission is no matter of oversight. It may be the most salient instance of the Founders' great wisdom, for the Founders were not utopians. Rather, they told us that a righteous people operating under the forms and processes established by the Constitution will see justice forthcoming.[7] □

1. Garry Wills, *Lincoln at Gettysburg: The Words That Remade America* (New York: Simon and Schuster, 1992), p. 38.

2. See Erik von Kuehnelt-Leddihn, *Liberty or Equality: The Challenge of our Time* (Front Royal, Va.: Christendom Press, 1993).

3. Willmoore Kendall and George C. Carey, *The Basic Symbols of the American Political Tradition* (Washington, D.C.: The Catholic University of America Press, 1995 [1970]), p. ix; and see Wesley Allen Riddle, *The American Political Tradition* booklet (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc., 1996).

4. Kendall and Carey, p. xxii. See also Michael Oakeshott, *On Human Conduct* (Oxford: Clarendon Press, 1975). The *nomocratic/teleocratic* framework is utilized in similar vein by M.E. Bradford, in *Original Intentions: On the Making and Ratification of the United States Constitution* (Athens, Ga.: University of Georgia Press, 1993).

5. Kendall and Carey, esp. chpt. IV.

6. Kendall and Carey, esp. chpt. V, quote p. 94.

7. Kendall and Carey, esp. chpt. VI, and see VII and VIII.

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THE FREEMAN
IDEAS ON LIBERTY

Atlas Shrugged Revisited: Forty Years of Voicing the Philosophy of Freedom

by Edward W. Younkins

Written in 1957, *Atlas Shrugged* presents a comprehensive statement and detailed illustration of Ayn Rand's original and perceptive philosophical ideas and moral vision. This long, complex novel has sold more than four million copies. Respondents to a joint Library of Congress-Book of the Month Club survey in 1991 hailed the book as second only to the Bible in its significant impact on their lives.

For Rand, the right philosophy is necessary to create the right story. *Atlas Shrugged* embodies Rand's Objectivism and introduces readers to ideas they might not otherwise encounter. Rand uses the story of *Atlas Shrugged* as a vehicle for incarnating her ideas, bringing abstract philosophy to life through character and plot.

A Conflict of Visions: Looters vs. Creators

The story takes place in a slightly modified United States. The country has a "head of state" rather than a president and a "National Legislature" instead of a Congress. The time is ostensibly the not-too-distant future in which American society is crumbling under the impact of the welfare state and creeping socialism (most other nations have already become Communist "People's States"). The story may be described as simultaneously anachronistic and timeless. The pattern of industrial organization appears to be that of the late 1800s, with large capital-intensive corporations being run and owned by individual entrepreneurs. The mood seems to be close to that of the depression-era 1930s. Both the social customs and level of technical knowledge remind one of the 1950s. The level of government interference and political corruption is similar to that of the 1970s.

The story is an apocalyptic vision of the last stages of a conflict between two classes of humanity—the "looters" and the "non-looters." The looters are proponents of high taxation, big labor, government ownership, government spending, government planning, regulation, and redistribution. They include politicians and their supporters, intellectuals, religious leaders, government bureaucrats, scientists who sell their minds to the bureaucrats, and liberal businessmen who, afraid of honest competition, sell out their initiative, creative powers, and independence for the "security" of government regulation. The non-looters—the thinkers and doers—are the competent and daring individualists who innovate and create new enterprises. These

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prime movers love their work, are dedicated to achievement through their thought and effort, and abhor the forces of collectivism and mediocrity. The battle is thus between non-earners who deal by force and profit through political power and earners who deal by trade and profit through productive ability.

Rand's Entrepreneurial Heroes

The plot is built around several business and industrial executives. The beautiful Dagny Taggart, perhaps the most heroic female protagonist in American fiction, is the operating genius who efficiently runs Taggart Transcontinental Railroad, which was founded by her grandfather. Her brother James, president in title only, is an indecisive, incompetent, liberal businessman who takes all the credit for his sister's achievements. Dagny optimistically and confidently performs Herculean labors to keep the railroad running despite destructive government edicts, her brother's weaknesses, the incompetence of many of her associates, and the silent and inexplicable disappearance of society's competent industrialists, upon whom Dagny depends.

As both society and her railroad are disintegrating, Dagny attempts to rebuild an old Taggart rail line. In the process, she contacts Hank Rearden, a self-made steel tycoon and inventor of an alloy stronger and lighter than steel. Rearden, Dagny's equal in intelligence, determination, and sense of responsibility, becomes her ally and eventually her lover. They struggle to keep the economy running and ultimately discover the secret of the continuing disappearance of the men of ability.

Who Is John Galt?

John Galt, a messiah of free enterprise, is secretly persuading thinkers and doers to vanish mysteriously one after the other—deserting and sometimes sabotaging their factories before they depart. Galt explains how desperately the world needs productive individuals, but how viciously it treats them. The greater a person's productive ability, the greater are the penalties he endures in the form of regulations, controls, and the expropriation and redistribution of his earned wealth. This evil, however, is only made possible by the "sanction of the victim." By accepting an undeserved guilt—not for their vices but for their virtues—the achievers have acquiesced in the political theft of their minds' products. Galt masterminds his plan to stop the motor of the world by convincing many of the giants of intellect and productivity to refuse to be exploited any longer by the looters and the moochers, to strike by withdrawing their talents from the world by escaping to a secret hideout in the Colorado Rockies, thus leaving the welfare state to destroy itself. The hero-conspirators will then return to lay the groundwork for a healthy new social order based on the principles of laissez-faire capitalism.

Galt, the mysterious physicist who is also a philosopher, teacher, and leader of an intellectual movement, has invented a motor that can convert static electricity into useful but inexpensive kinetic energy. He chooses to keep his invention a secret until it is time for him and the other heroes to reclaim the world.

For two-thirds of the novel, Galt exists only as a plaintive expression—"Who is John Galt?" He has been in hiding, working underground as a laborer in the Taggart Tunnels, while recruiting the strikers.

Other Heroes

One of the key hero-characters is Francisco d'Anconia, aristocrat, copper baron, and former lover of Dagny, who prefers to destroy his mines systematically rather than let them fall into the hands of the looters. Another is Ragnar Danneskjöld, a philosopher turned pirate, who avenges the work of Robin Hood by raiding only public, nonprofit, commerce ships in order to return to the productive what is rightly theirs. The Randian view is that Robin Hood robs from the strong and deserving and gives to the weak and worthless. Robin Hood, the most immoral and contemptible of all human symbols, reflects the idea that need is the source of rights, that

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people only have to want—not to produce, and that men have claim to the unearned but not to the earned.

Galt's Gulch

The men of ability fade out of the picture and are labeled traitors and deserters by Dagny and Hank, who remain fighting at their desks. Ironically, because they haven't been told of the conspiracy, Dagny and Hank are even battling their natural allies—the ex-leaders of the business world who have gone on strike.

Dagny pursues one of the deserters by plane to a valley deep in the Rockies, crashes, and accidentally discovers John Galt's headquarters—the Utopian free-enterprise community created by the former business leaders along with several academicians, artists, and artisans. They have set up "Galt's Gulch" (also known as "Mulligan's Valley") as a refuge from the looters and moochers. Dagny is the last hero, except for Hank, to reach Galt's outpost. While there, Dagny listens to the logic of Galt and his associates and falls in love with Galt, who represents all that she holds dear. Inspired by the vision of Rearden, who continues to search for her and battle the looters, she decides to return to a world in a shambles. Dagny and Hank, who represent Everyman, refuse almost to the end to accept Galt's plan and stubbornly fight to save the economy.

Galt's Speech: The Essence of Rand's Worldview

A national broadcast by Mr. Thompson, the Head of the State, is interrupted by Galt who, in a three-hour speech, spells out the tenets of his philosophy. Among his many provocative ideas is the notion that the doctrine of Original Sin, which holds man's nature as his sin, is absurd—a sin that is outside the possibility of choice is outside the realm of morality. The Fall of Adam and Eve was actually a positive event since it enabled man to acquire a mind capable of judging good and evil—man became a rational moral being. Another provocative idea is that both forced and voluntary altruism are evil. Placing the welfare of others above an individual's own interests is wrong. The desire to give charity, compassion, and pleasure unconditionally to the undeserving is immoral.

Galt explains that reality is objective, absolute, and comprehensible and that man is a rational being who relies upon his reason as his only means to obtain objectively valid knowledge and as his basic tool of survival. The concept of value presupposes an entity capable of acting to attain a goal in the face of an alternative. The one basic alternative in the world is existence versus non-existence. Life makes the concept of "value" meaningful. An organism's life is its standard of value. Whatever furthers its life is good and that which threatens it is evil. It is therefore the nature of a living entity that determines what it ought to do.

Galt identifies man's life as the proper standard of man's value and morality as the principles defining the actions necessary to maintain life as a man. If life as a man is one's purpose, he has the right to live as a rational being. To live, man must think, act, and create the values his life requires. In other words, since a man's life is sustained through thought and action, it follows that the individual must have the right to think and act and to keep the product of his thinking and acting (i.e., the right to life, liberty, and property).

He asserts that since men are creatures who think and act according to principle, a doctrine of rights ensures that an individual's choice to live by those principles is not violated by other human beings. All individuals possess the same rights to freely pursue their own goals. These rights are innate and can be logically derived from man's nature and needs—the state is not involved in the creation of rights and merely exists to protect an individual's natural rights. Since force is the means by which one's rights are violated, it follows that freedom is a fundamental social good. Therefore, it follows that the role of government is to protect man's natural (i.e., basic) rights, through the use of force, but only in retaliation and only against those who initiate its use.

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The Melodramatic Climax

Galt follows Dagny back to the world and is captured by the looters. In an attempt to save the crumbling economy, they offer him the position of Economic Dictator, which he promptly refuses. They torture him, but the torture machine breaks down. Then, in a melodramatic confrontation, Galt is rescued by the Utopian entrepreneurs, and the looters are vanquished.

Galt and Dagny return to the valley, rewrite the Constitution, and add a clause stating that Congress shall make no law abridging the freedom of production and trade. At the end of the novel, just before going back to rebuild the world, Galt symbolically traces the sign of the dollar in the air.

A Fully Integrated Novel and Moral Vision

Atlas Shrugged is an abstract, conceptual, symbolic, and powerful novel of ideas that expounds a radically new system of philosophy that challenges many traditional beliefs. Rand, a writer of dazzling virtuosity, presents her ideas with precision and illustrates them in concrete and detailed terms.

The novel combines elements of realism, mystery, adventure, romance, fantasy, and science fiction and is therefore capable of satisfying readers on many separate levels. *Atlas Shrugged* may be read as a philosophical treatise; a dialogue on ethics; an unabashed, original, and insightful defense of capitalism; a political parable denouncing all forms of collectivism; or simply an entertaining, easy-to-read, and absorbing page-turner.

The story is developed in a straightforward, chronological manner. The narrative is interrupted, however, by a great number of speeches and monologues scattered throughout the book as various characters declaim their values. (Galt's speech alone covers 60 pages of the book.) Despite (and for many, because of) this lecturing, most readers have been drawn by the story and Rand's eloquent flow of provocative ideas.

Rand has written the modern-day equivalent of a fifteenth-century morality play. Her characters represent symbols rather than people, are developed on the level of parable or fable, and are either all good or all bad. She deals entirely in black and white—there are no grays in her world to complicate reality and no ambiguous characters. The author clearly communicates whether a character is a hero or a villain by means of an introductory statement describing the individual's virtues or vices. Rand also tends to use a common allegorical technique by which characters' names are representative of their personalities. In addition, good characters are able, beautiful, brave, and physically and mentally superior. Bad characters are generally mean-spirited, cowardly, envious, and physically unattractive.

A Powerful Voice for Freedom

Atlas Shrugged is encyclopedic in its philosophical, political, economic, and psychological scope. This masterwork of logic has a wonderfully constructed plot and expounds an exhaustive, fully integrated philosophical system. Rand correctly argues that human nature requires freedom. Only when men are free to choose can they be moral. The intellectual basis of capitalism is that the individual is free by his nature, has responsibility to make moral choices, and has certain inviolable rights.

Atlas Shrugged is essential reading. It tells a fascinating story and presents an impressive, interesting, and thought-provoking portrait of businessmen who won't allow politicians to kick them around and thus is as relevant today as when it was written. *Atlas Shrugged* is not simply a novel to be read for entertainment. Nor is it a treatise solely to be read for enlightenment. Ayn Rand's masterpiece makes a most powerful case for liberty and, therefore, should be read, reread, and shared with our friends. □

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THE FREEMAN
IDEAS ON LIBERTY

Private Property and "Social" Justice

by Antony Flew

In the preface to the second volume of his trilogy *Law, Legislation and Liberty*, F.A. Hayek explained how he came to conclude "that the Emperor had no clothes on, that is, that the term 'social justice' was entirely empty and meaningless,"[1] and "that the people who habitually employ the phrase simply do not know themselves what they mean by it and, just use it as an assertion that a claim is justified without giving a reason for it."[2]

Certainly, as Hayek proceeded painstakingly to show, this cant expression is usually employed quite thoughtlessly. Few if any of those who habitually employ it have even attempted to produce a systematic and consistent rationale for its application. But this is still not adequate to show that it is "entirely empty and meaningless." For there is in fact sufficient regularity in the actual usage of the expression "social justice" to provide it with a meaning, albeit a meaning that is somewhat vague and variable.

Let us approach the problem of discovering this meaning a little indirectly, by referring first to the fact that Hayek dedicated his most famous work, *The Road to Serfdom*, "to the socialists of all parties." In his preface to the second edition, which appeared nearly 30 years after the original publication, Hayek declared that he was still prepared to defend all the book's main conclusions. But he warned against possible misunderstandings arising from terminological changes: "At the time I wrote socialism meant unambiguously the nationalization of the means of production and the central economic planning which this made possible and necessary." But since then "socialism has come to mean chiefly the extensive re-distribution of incomes through taxation and the institutions of the welfare state."[3]

In the usage of the socialists (or in the United States the liberals) of all parties, who are the chief, if not quite the only employers of the expression "social justice" it, and what for many is apparently the equivalent expression "equality and social justice," can be most illuminatingly defined as referring to what they themselves see as the ideal eventual distribution of goods and services of all kinds; an eventual redistribution which is to be achieved primarily by "the extensive redistribution of incomes through taxation and the institutions of the welfare state."

Hayek in his discussion of the expression "social justice" was also wrong to maintain that those who use it "just use it as an assertion that a claim is justified without giving a reason for it." For anyone asserting that some policy is required by a kind of justice is in fact giving what—if but only if their assertion were true—would constitute the best of reasons. The truth, however, is that social justice as customarily conceived is precisely not a kind of justice.

On the contrary, such "social" justice es-

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sentially involves what, by the standards of old-fashioned, without-prefix-or-suffix justice must constitute a paradigm case of flagrant injustice: namely, the abstraction under the threat of force (the taxing away) of some of what must be defeasibly presumed to be the justly acquired income and capital of the better off in order to give it (less, of course, some often substantial service charge) to those whom previous just acquisitions or lack of just acquisitions have left worse off. The tacit and even sometimes explicit identification of justice with equality is equally erroneous. For the rules of justice, like all rules, require not that all individuals, but only that all relevantly like individuals, should be treated in the same way. Who, for instance, would recognize a system which insisted that the guilty should be treated in exactly the same way as the innocent as a system of *justice*?

Most of those professing concern to promote what they call social justice conceal from themselves the force, indeed even the possibility of such objections, by tacitly assuming that the sum of all the incomes received and all the wealth owned within some nation is already the collective property of that nation. Hence it is available, free of all morally legitimate prior ownership claims, for redistribution at the absolute discretion of (socially) just redistributors.

Rawls and Social Justice

A remarkable example of the making of this assumption was provided by John Rawls in *A Theory of Justice*. This book has had more influence on, and has been more widely cited by, sociologists, economists, judges, and politicians than any other philosophical work of the present century.

Although Rawls entitled his 607-page book *A Theory of Justice*, he revealed as early as page seven that his true subject was "that of social justice." Yet at no stage does he attempt to show how, if at all, this is supposed to be related to justice as traditionally understood. He pays no attention to the warning about the need for definition which Socrates is scripted to give in the final sentence of the first Book of Plato's treatise on justice. "For if I do not know what justice is I am scarcely likely to find out whether its possessor is happy or unhappy."[4] Indeed it is only on his 579th page that Rawls explains that he was eager "to leave questions of meaning and definition aside and get on with the task of developing a substantive theory [not of social justice but] of justice."

The fundamental principles of what Rawls calls social justice are derived from a hypothetical social contract. Although he claims that "Throughout the choice between a private-property economy and socialism is left open . . ."[5] the hypothetical contracting parties who "in the original position" are to make the hypothetical social contract nevertheless have to take for granted the ultimately collective ownership of all wealth and income. "For simplicity," rather than for any more substantial and compelling reason, they are required to "assume that the chief primary goods *at the disposition of society* are rights and liberties, powers and opportunities, *income and wealth*."[6] They are to assume, that is to say, that income and wealth are "at the disposition of" that hypostatized collectivity "society"; altogether uninhibited, it seems, by any morally legitimate prior property claims.

In what is presented as a theory of justice readers ought to have been astonished to discover this assumption of the collective ownership of all wealth and income. But they should have then been utterly flabbergasted to find that, in explaining "The Main Idea of the Theory," Rawls asserts that "Once we decide to look for a conception of justice that nullifies the accidents of natural endowment and the contingencies of social circumstance as counters in the quest for political and economic advantage, we are led to these principles. *They express the result of leaving aside those aspects of the social world that seem arbitrary from a moral point of view*."[7]

The preposterousness is to present this as a first and necessary step toward developing a particular conception of justice. For doing justice has traditionally been defined as rendering to each their due. The version of Ulpian's definition employed in the *Institutes of Justinian* is inscribed on a wall of the library

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of the Harvard Law School: "To live honourably, not to injure another, to render to each his due." The expression "his due" or, better, "their due," is here naturally construed as referring to the several deserts and entitlements of different individuals, the deserts primarily under the criminal and the entitlements under the civil law.

Certainly, if all possible grounds for any differences in deserts and entitlements are thus to be dismissed as morally irrelevant, then indeed—always allowing that anyone is still to deserve or to be entitled to anything at all—it does become obvious that everyone's deserts and entitlements must be equal. Yet it is precisely and only upon what individuals severally and individually are, and have done or failed to do, that all their several and surely often very unequal particular deserts and entitlements cannot but be based. It is, therefore, bizarre superciliously to dismiss all this as irrelevant: as merely "the accidents of natural endowment and the contingencies of social circumstance."

The objection that "social" justice is not a kind of justice is often countered either by urging that the world would be a better place if the distribution of income and wealth were different from what it actually is or by protesting that this objection is at best trivially verbal. It is easy to agree with the first of these contentions. In my personal ideal world, for instance, successful pop stars would not be voted to become millionaires by the purchases made by teenage children. But this is simply irrelevant. For it is one thing to *justify* a situation, that is, to show it to be desirable or excusable or in some other way preferable to the available alternatives, but it is quite another thing to *justicize* it, that is, to show it to be not just "socially" just but plain old-fashioned, just.

To appreciate that and why the issue is most emphatically not trivially verbal it is sufficient to ask and answer the question of why people are so keen to maintain that their actions or policies are indeed (socially) just. It is of course because they want to arrogate to these actions or policies the psychological associations which are presently linked with, and the logical implications which are presently carried by, employments of the word "just." Very understandably they want thus to see themselves and to be seen by others as occupying the moral high ground, and they want to see their opponents as ex officio callous, selfish, and immoral.

Perhaps even more importantly, though this is rarely recognized, those who share the socialist ideals of "social" justice need to equip themselves with what, if only it were true, would constitute a decisive answer to an otherwise properly embarrassing question: By what right are you proposing to deploy the forceful machinery of the state in order to impose upon all concerned your own personal or party vision of an ideal society? For justice is precisely not an expression of individual or group preferences, not such an individual or party vision of an ideal society. To appeal to justice is to appeal to a standard logically independent of all individual and collective interests or preferences. That is why everyone has to allow that what is prescribed by (moral) justice may properly, though not always prudently, be enforced by (legal) law. This point was put most decisively by Adam Smith in the penultimate paragraph of chapter one of Section II of Part II of his other masterpiece, *The Theory of Moral Sentiments*:

> The man who barely abstains from violating either the person, or the estate, or the reputation of his neighbours, has, surely, little positive merit. He fulfills, however, all the rules of what is peculiarly called justice, and does everything which his equals can with propriety force him to do, or which they can punish him for not doing. □

1. F. A. Hayek, *The Mirage of Social Justice* (London: Routledge and Kegan Paul, 1976), p. xi.
2. *Ibid.*, p. xi.
3. F. A. Hayek, *The Road to Serfdom* (London: Routledge and Kegan Paul, Second Edition 1976), p. viii.
4. *The Republic*, S 354C.
5. John Rawls, *A Theory of Justice* (Cambridge: Harvard University Press, 1971), p. 258.
6. *Ibid.*, p. 62: emphasis added.
7. *Ibid.*, p. 15: emphasis added.

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THE FREEMAN
IDEAS ON LIBERTY

Free-Born John Lilburne, Mighty Martyr for Liberty

by Jim Powell

Liberty doesn't just happen. Somebody must express a compelling vision of liberty and make it happen.

In many respects, the greatest pioneer was John Lilburne, who, in more than 80 pamphlets written during the mid-seventeenth century, attacked intolerance, taxes, censorship, trade restrictions, and military conscription. He championed private property, free trade, freedom of association, freedom of religion, freedom of speech, freedom of the press, a rule of law, a separation of powers, and a written constitution to limit government power. Lilburne helped bring these dynamic ideas together for the first time in human history.

Moreover, he risked death to put them into action. Lilburne was the first person to challenge the legitimacy of the Star Chamber, the English royal court that had become a notorious instrument for suppressing dissent. He was the first to challenge Parliament's prerogative as a law court for imprisoning adversaries. He was the first to challenge the prosecution tactic of extracting confessions until defendants incriminated themselves. He challenged the standard practice of imprisoning people without filing formal charges. He challenged judges who tried to intimidate juries. Four times he faced the death penalty. He endured brutal beatings. He was imprisoned most of his adult life.

"I walk not, nor act, from accidents," Lilburne told a friend, "but from principles, and being thoroughly persuaded in my own soul they are just, righteous and honest, I will by God's goodness never depart from them, though I perish in maintaining them."

Dubbed a "Leveller" by his adversaries, he won the hearts of people and helped discredit the kinds of criminal justice proceedings that were a bulwark of oppression. "While others supported civil liberties to gain their own freedom and denied it to their enemies," wrote historian Leonard W. Levy, "Lilburne grew more and more consistent in his devotion to the fundamentals of liberty, and he was an incandescent advocate . . . he sacrificed everything in order to be free to attack injustice from any source. . . . His entire career was a precedent for freedom."

Lilburne looked like an ordinary man. Biographer M.A. Gibb described Lilburne, in his early twenties, as "slightly built, with a delicacy of appearance which renders his powers of physical endurance the more remarkable. Plainly dressed, after the fashion of the Puritans, he wore his hair to the shoulder and was beardless; his long, oval face, with its high forehead, luminous, earnest eyes, and often melancholy expression, indicated the depth of the fanaticism which could fire his

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spirit, while the resolute mouth showed strength of purpose and courage to fulfil his aims."

As Levy acknowledged, "Such men as Lilburne who make civil disobedience a way of life are admirable but quite impossible. He was far too demanding and uncompromising, never yielding an inch to his ideals. He was ostreperous, fearless, indomitable, and cantankerous, one of the most flinty, contentious men who ever lived. . . . No one in England could outtalk him, no one was a greater political pamphleteer. . . . Had Lilburne been the creation of some novelist's imagination, one might scoff at so far-fetched a character. He was, or became, a radical in everything—in religion, in politics, in economics, in social reform, in criminal justice."

Beginnings

John Lilburne was born in Greenwich, England, sometime in 1614 or 1615. His parents, Richard and Margaret Lilburne, were minor officials in the royal court. Margaret died when John was a small child and Richard moved to a country property in East Thickley, County Palatine. A rather reckless man, he made history in 1636 as one of the last Englishmen to try resolving a lawsuit through trial by battle rather than trial by jury.

John attended schools at Auckland and Newcastle, where he learned Greek and Latin. His formal education was over by age 15. He decided to pursue a career in the prosperous wool trade and went to London. For five years he served as an apprentice at a wool warehouse. He used what little extra money he had on Protestant literature: "I had spare time enough," he recalled, "yet I never mispent it, but continually spent it in reading the Bible, the Book of Martyrs, Luther's, Calvin's."

A fervent Anabaptist, Lilburne rebelled against the orthodoxy and corruption of the Church of England. The Church maintained a clerical hierarchy of bishops, priests, and deacons. Bishop of London William Laud spearheaded efforts to crush Protestant dissenters. In 1624, the King issued a proclamation making it illegal to publish or import a book without a license from the Bishop of London or the Vice-Chancellor of Oxford or Cambridge. Licensed printers, who belonged to the Stationers Company guild, helped enforce the law against unlicensed competitors.

The proclamation didn't prevent courageous printers from issuing pamphlets challenging established authority, and Lilburne became friends with many of these dissidents. He visited the Gatehouse, where Presbyterian Dr. John Bastwick was imprisoned for writings that denounced the Church of England bishops. Bastwick subsequently had his ears cut off.

Through Dr. Bastwick, Lilburne met William Prynne, the fanatical London Presbyterian lawyer who had published many bold attacks on the Church of England. Prynne was fined, disbarred as a lawyer, condemned to life imprisonment in the Tower of London, his ears were hacked off, and his cheeks were branded with the initials "SL" (for seditious libeler). Imprisonment, furthermore, meant a financial drain, since prisoners had to pay the cost of their upkeep.

The government considered Lilburne a potential troublemaker for visiting imprisoned dissidents. In 1637, he left England and went to Holland, where free presses flourished. He seems to have spent his savings, perhaps about 50 pounds, on printing and distributing unlicensed pamphlets. He began with *Letany* by Dr. Bastwick. Lilburne, however, was betrayed by one of his collaborators, a London button seller. The English government seized the shipment of Dr. Bastwick's pamphlets, and Lilburne was arrested after he returned to London in December 1637.

Lilburne versus the Star Chamber

Lilburne was imprisoned in the Gatehouse, and his case came before the Star Chamber. It stood apart from the common law courts, and proceedings were based on interrogating defendants. Those who incriminated themselves were declared guilty and imprisoned. "It was a court of politicians enforcing a policy, not a court of judges administering a

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law," wrote constitutional historian F.W. Maitland.

Lilburne was grilled about his trip to Holland and his knowledge of unlicensed Puritan pamphlets. Although he was only in his early twenties, he mounted an unprecedented challenge to the legitimacy of royal prerogative courts: "I know it is warrantable by the law of God, and I think by the law of the land, that I may stand upon my just defense, and not answer to your interrogatory, and that my accusers ought to be brought face to face, to justify what they accuse me of."

Lilburne attacked the Star Chamber because he had never been served with a *sub poena*, and no bill accused him of any crime. He wouldn't pay the court clerk's fee. He refused to take the *ex officio* oath promising to answer all questions. The Star Chamber fined Lilburne £500 and ordered that he be tied to a cart and whipped as it moved slowly from Fleet prison to Westminster Palace Yard—two miles. Every few steps, he recalled, his bare back was lashed with a whip made from "two or three cords tied full of knots." Altogether he was lashed some 200 times. The doctor who treated Lilburne reported that "the weals in his back, made by his cruel whipping, were bigger than tobacco pipes."

Then Lilburne was put in a pillory where, officials hoped, he would be humiliated. But he harangued all who would listen with attacks on the government and the Church of England. He was subsequently gagged, one woman reported, "with such cruelty that he caused his mouth to bleed." After several hours in the hot sun—having already been whipped for two miles—Lilburne was taken back to Fleet prison and chained in a cold, damp, dark cell for four months.

When the "Long Parliament" convened on November 4, 1640, a little-known country gentleman named Oliver Cromwell, who represented Cambridge, defended Lilburne in his first speech. Cromwell declared that Lilburne's Star Chamber sentence was "illegal and against the liberty of the subject." Soon he was released. Parliament passed bills abolishing the Star Chamber, and the king reluctantly agreed on July 5, 1641. Among other things, the bills made it a criminal offense for a government official to force a defendant to take "any corporal oath, whereby he or she shall or may be charged or obliged to make any presentment of any crime or offense, or to confess or to accuse him or herself of any crime, offense, delinquency or misdemeanour, or any neglect or thing whereby, or by reason whereof, he or she shall or may be liable or exposed to any censure, pain, penalty or punishment whatsoever."

Lilburne tried to resume his private life. He married Elizabeth Dewell, who was to provide steadfast support during his subsequent imprisonments and to raise four children on little money. Despite his apprenticeship as a clothier, the Merchant Adventurers guild, which monopolized its trade as other guilds monopolized their trades, excluded him because he didn't have enough capital. His uncle suggested that he help run a brewery, and that's what he did.

Coke's *Institutes*

Lilburne spent his spare time studying philosophy and law. In 1642, the second part of jurist Edward Coke's *Institutes* was published, and Lilburne soon got a copy. Coke (1552-1634) had championed common law over arbitrary royal edicts. With common law, local judges made decisions case by case, from which evolved general rules. They tended to be applied more predictably than statutes. The first part of Coke's *Institutes* (1628) had commented on another jurist's work and wasn't of much use to Lilburne, but the second part offered learned commentary on statutes from the Magna Carta through the reign of King James I, who died in 1625. Most law books were in French, but Coke wrote in English and made common law a fighting creed. From Coke Lilburne gained inspiration—Coke, too, had been imprisoned for his views—and gathered legal precedents which, buttressed with material from the Biblical Old Testament, Psalms, and Apocalyptic writings, became the basis for his self-defense against tyrants.

He was soon drawn back into the epic struggle between king and Parliament. Parliament, enjoying the support of merchants

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and traders, controlled money the spendthrift king desperately needed. In 1642, Lilburne was commissioned a captain in the Parliamentary Army, but he was captured in Brentford and imprisoned at Oxford Castle. Royalists offered him a pardon if he would recant his principles, but he refused. He was charged with treason and sentenced to death. Lilburne's wife, Elizabeth, addressed the House of Commons and persuaded Members to retaliate by executing captured royalists if any Parliamentary loyalists like Lilburne were executed. The result was a prisoner exchange that gave Lilburne his freedom.

He returned to the Parliamentary army with mixed feelings, because he disapproved of the Scottish government enforcing the Scottish National Covenant on everybody there. The Covenant called for loyalty to the king, loyalty to Calvinist theology, and a commitment to suppress religious dissidents. Chronic wrangling among military officers further undermined his commitment to the Parliamentary cause, and when Lieutenant-General Oliver Cromwell ordered that everybody in his New Model Army subscribe to the Covenant, Lilburne quit. He declared that he would "dig for carrots and turnips before he would fight to set up a power to make himself a slave."

Lilburne was influenced by the poet John Milton, who had been charged with violating Parliament's June 1643 law requiring that prior to publication written work must be licensed by a government censor and registered with the Stationers Company. Ordered to defend himself before Parliament, Milton gave a speech that became the famous pamphlet *Areopagitica* (1644). Borrowing from pamphlet attacks on monopolies, Milton maintained that truth tends to prevail when markets are open and the press is free.

In January 1645, Lilburne exploded with rage at the injustices he suffered, and he wrote *A Copy of a Letter*. It was a challenge to Puritan William Prynne, who, having suffered from intolerance by King Charles and Bishop Laud, extended intolerance to others. Lilburne talked about how the king and bishop injustly imprisoned him, how the Puritans enforced the Covenant that further restricted his freedom of religion, how the Stationers Company restricted his freedom of speech, how the Merchant Adventurers denied his right to work. "To persecute for conscience," Lilburne declared, "is not of nor from God, but of and from the divell and Anti-Christ."

During a raid authorized by Parliament, officials found a printing press alleged to have produced Lilburne's offending pamphlet. About this time, one of Lilburne's eyes was poked out by a pike—circumstances unknown—and Parliament, apparently feeling he had suffered enough, dropped the matter.

In April 1645, Lilburne became acquainted with John Goodwin, vicar of St. Stephen's Church on Coleman Street, London. He was among the Independents, a group that had perhaps one-tenth the following of the Presbyterians. Independents generally favored religious toleration for everyone except Catholics. Oliver Cromwell, John Milton, and many other talented people were Independents. Unlike the Presbyterians, who wanted to replace the Church of England ecclesiastical hierarchy with their own, Goodwin believed each congregation should govern itself. Lilburne shared some Independent views, writing in the pamphlet *Rash Oaths Unwarrantable* that God had appointed Jesus as the only lawgiver for His Church, and therefore human lawgivers (ecclesiastical officials) were anti-Christian. This comes close to advocating a separation between church and state.

Walwyn and Overton

Goodwin attracted a number of other notable dissidents to his "Coleman Street enclave" where they discussed issues and refined their views. Among those attending was William Walwyn, a merchant in his mid-forties who, while he wrote some pamphlets, spent considerable time encouraging bright people to embrace reason and toleration.

The keenest thinker and best writer in the group was Richard Overton, who spent some years in tolerant Holland. There he embraced the General Baptist Church, which emphasized that God's will was revealed directly to individuals. He returned to England before

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1641 and became an unlicensed printer. He demanded religious toleration. He published some of Lilburne's pamphlets, and he wrote his own. Overton based his thinking more on fundamental principles than Lilburne who filled his pamphlets with common law precedents. Overton—who also wrote satire—sometimes displayed a wicked wit. Soon Lilburne was embroiled in controversy again. On July 19, 1645, the Presbyterian Dr. John Bastwick claimed Lilburne had publicly criticized William Lenthall, Speaker of the House of Commons, and Lilburne was again imprisoned. But by this time Lilburne knew that nothing inspired people as much as somebody who was willing to stand up fearlessly for his ideals. Summoned before the Committee on Examination, he refused to answer questions and demanded to know the charges against him. "I am a free-man," he insisted, "yea a free-borne denizen of England, and I have been in the field with my sword in my hand, to adventure my life and my blood against tyrants for the preservation of my freedom, and I do not know that ever I did an act in all my life that disenfranchised me of my freedom, and by virtue of my being a free man, I conceive, I have as true a right to all the privileges that do belong to a free man as the greatest man in England, whatsoever he be, whether Lord or Commoner, and the ground and foundation of my freedom I build upon the Grand Charter of England." The Committee on Examination ordered him back to Newgate prison.

On August 9, he was again summoned before the Committee on Examination, this time to answer questions about *A Copy of a Letter . . . to a Friend*, an inflammatory pamphlet which he had allegedly written in prison. Again, he refused to answer questions and demanded to know the charges against him. The Committee ordered that he be imprisoned in case it should later be proven that he wrote the pamphlet. William Walwyn organized protests and presented a petition with more than 2,000 signatures to the House of Commons.

Lilburne had come to stand for the rights of all English people. As one anonymous pamphleteer wrote in *England's Misery and Remedy* (1645): "Lilburne's case is singular, that a member of the body represented, a free-born subject . . . that such a subject, contrary to the tenor of Magna Carta, contrary to the late Covenant and Petition of Right . . . should be three times imprisoned without showing cause, by a Parliament professing reformation and defense of our laws and liberties, and without any urgent or apparent necessity of state enforcing it. . . . I need not say how much the public liberty is wounded in the injury doubled and trebled upon their fellow man."

England's Birthright Justified

In Newgate prison, Lilburne wrote *England's Birthright Justified against all arbitrary usurpations, whether Regall or Parliamentary or under what Vizor soever* (1645). Lilburne opposed the arbitrary power of Parliament by appealing to the "declared, unrepealed Law" of liberty and justice. "It is the greatest hazard that can be run into," he wrote, "to disart the onely known and declared Rule; the laying aside whereof brings in nothing but Will and Power, lust and strength." He maintained that England's fundamental laws should "be in English . . . that so every Free-man may reade it as well as Lawyers." He insisted that a trial would be proper only when formal charges are filed, when they refer to known laws, and when the defendant can confront the accuser and have an adequate opportunity to present a defense.

Lilburne went on to denounce government-granted special privileges. He attacked the government-granted monopoly on preaching. Lilburne spoke out for free trade as he attacked government-granted business monopolies like the Merchant Adventurers guild, which barred competitors from the woollen business. He declared that such monopolies were "contrary to the law of Nature, the law of Nations, and the lawes of this Kingdome."

Moreover, Lilburne wrote that the "Third Monopoly is that insufferable, unjust and tyrannical Monopoly of Printing," which Parliament granted to the Stationers Company. It "suppresse every thing which hath any true Declaration of the just Rights and Liberties of

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the free-borne people of this Nation." Book publishing, he maintained, "should be like a cryed Faire, and each one free to make the best use of their Ware."

Lilburne observed that the longer politicians remain in Parliament, the more corrupt they become: holding office "breeds nothing but factions and base cowardlinesse, yea and sowing up of mens lips, that they dare not speak freely for the Commonwealth, nor displease such and such a faction, for feare of being Voted and thrust out of their unfit to be enjoyed Offices." Lilburne called for annual Parliamentary elections and universal male suffrage: "Ought not the free-men of England, who have laboured in these destroying times both to preserve the Parliament and their own native Freedoms and Birthrights, not only to choose new members, where they are wanting once every year, but also to renew and inquire once a year after the carriage of those they have chosen." He urged people to do as much as they could to remedy wrongs through constitutional action, but he implied if this failed, people have a right to rebel.

Lilburne's pamphlet stirred debate. *England's Lamentable Slaverie* (1645), an anonymous pamphlet attributed to William Walwyn, saluted Lilburne's courage but said that his case depended too much on Magna Carta. Walwyn wrote that the right to resist unjust imprisonment stemmed from "reason, sense and the Common Law of equity and justice." Walwyn pushed further toward a natural rights vision, saying "That liberty and privilege which you claim is as due to you as the very air you breathe."

Summoned to court in October 1645, Lilburne was told there weren't any charges against him. He petitioned the Lord Mayor for his liberty and was released October 14. He petitioned Parliament to be compensated for his unjust imprisonment but got nowhere—further undermining his faith in Parliament.

The Freeman's Freedom Vindicated

In early June 1646, he wrote *The Just Man's Justification*, which spelled out his grievances against the House of Lords. On June 11, he was summoned to appear before the House of Lords and asked if he knew about this latest seditious pamphlet. He countered by demanding to know what, if any, charges were filed against him. The House of Lords committed him to Newgate prison, where he wrote another pamphlet, *The Freeman's Freedom Vindicated*. He defied "my Lords, you being, as you are called, Peers, merely made by prerogative, and never intrusted or impowered by the Commons of England."

The House of Lords ordered the Keeper of Newgate to deliver Lilburne for another interrogation, but he issued a defiant letter to the Keeper: "Sir, I am a freeman of England, and therefore am not to be used as a slave or vassal by the Lords, which they have already done, and would further do. . . . Take this for an answer, that I cannot without being traitor to my liberties dance attendance at their Lordship's bar." When the Keeper refused to let Elizabeth Lilburne visit him, he defied officials to cut out his tongue and sew up his mouth, and he threatened to set the House of Lords afire. He was put in solitary confinement, and there were renewed efforts to prevent him from getting pen and paper.

Back before the House of Lords, Lilburne refused to show traditional respect by kneeling—he insisted he would kneel only to his God. He lashed out at the Lords and was fined £2,000 and sentenced to solitary confinement in the Tower of London.

Lilburne's friends again rallied to his defense. Elizabeth Lilburne organized groups of women who visited the House of Commons to offer her husband's petition for justice. *A Pearl in a Dunghill* (June 1646), a pamphlet variously attributed to William Walwyn or Richard Overton, reviewed Lilburne's ordeals and expressed outrage "that free commoners, who by the laws of the land are not to be adjudged of life, limb, liberty, or estate, but by commoners, should at the pleasure of the Lords be liable to their summons and attachment by pursuivants, to their oath *ex officio*, to their examination in criminal causes, to self accusing, and to imprisonment during their pleasures, the chosen Commons of England, the

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supreme power, standing by like a cipher, as unconcerned, mere lookers-on."

In July 1646, Overton affirmed the sovereignty of the people when he wrote *A Remonstrance of many thousand citizens and other free-born People of England to their own House of Commons*, illustrated with an engraving of Lilburne behind bars. He underscored Lilburne's call for freedom of religion, freedom of the press and annual Parliamentary elections. Overton followed this pamphlet in August with *An Alarum to the House of Lords,* which escalated the protest. Lilburne, he wrote, "hath got a good cause, and all good people (that desire not to live by the oppression of others) on his side." Overton's authorship of this second pamphlet was discovered, and he too was arrested and dispatched to Newgate prison.

Parliament continued to hold Lilburne and Overton in prison, even though King Charles had fled to Scotland in June 1646, and the royalist stronghold of Oxford had surrendered, ending the first English Civil War. Many people felt they had been betrayed by Parliamentary forces, which supposedly fought for freedom. Lilburne remained as resolute as ever: "If I be called a state heretic, I answer for myself that the Parliament's own declarations hath made me so, and if I be deluded and deceived, they are the men who have done it." As historian G.P. Gooch noted, "By its injudicious treatment of the most popular man in England, Parliament was arraying against itself a force which only awaited an opportunity to sweep it away."

In his pamphlet *London's Liberty in Chains* (October 1646), Lilburne emphasized that the basis of legitimacy is consent: "The Omnipotent God, creating Man in his own Image (which principally consisted in his reason and understanding) . . . made him Lord over the earth. . . . But made him not Lord, or gave him dominion over the individuals of mankind no further than by free consent, or agreement."

Lilburne became convinced that Parliament betrayed liberty, and he appealed to ordinary people and the Army rank-and-file. In *The Oppressed Mans Oppressions* (January 1647), he wrote: "*Tyrannie is tyrannie*, exercised by whom soever; yea, though it be by members of Parliament, as well as by the King, and they themselves have taught us by their Declarations and practises, that tyrannie is resistable . . . what is tyrannie, but to admit no rule to govern by, but their own wils?"

The Levellers gained so much influence in the New Model Army that the Presbyterians who controlled Parliament decided they should try to disband the Army. They passed bills dismissing soldiers without much compensation for their service. Consequently, there was seething discontent, and Lilburne and Overton helped rally the soldiers. A petition, titled *To the Right Honble. and Supreme Authority of this nation, the Commons in Parliament Assembled*, was presented to Parliament. "We still find the nation oppressed with grievances of the same destructive nature as formerly, though under other notions," it asserted. It called for religious freedom, freedom of speech, free trade, and a rule of law.

The *Agreement of the People*

Meanwhile, Lilburne's ideas inspired Army radicals to draft the *Agreement of the People, for a firme and present Peace, upon grounds of Common-Right*. The forerunner of modern constitutions, it made clear that sovereignty rested with the people. It called for dissolving the Long Parliament and holding Parliamentary elections every two years. It specified that representation should be proportional to population. It provided freedom of religion. It barred military conscription. It envisioned a rule of law: "That in all Laws made, or to be made, every person may be bound alike, and that no Tenure, Estate, Charter, Degree, Birth or place, do confer any exemption from the ordinary Course of Legall proceedings, whereunto others are subjected."

The *Agreement of the People* was the issue at the "Army debates" in Putney on October 28 and 29, 1647, where ordinary people discussed the future of their country.

The Army debates seemed to favor radical ideas, a threat to the harsh discipline that was a secret of Cromwell's military success. He ordered his loyal armed forces to intimidate the radicals, and he conducted a court martial for most stubborn opponents. The *Agreement*

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of the People was history, but it was a landmark for liberty. Nowhere else in Europe had there been such a serious effort to resolve fundamental issues through discussion.

Lilburne, granted time away from prison while still serving a term, began organizing the first political party. His supporters identified themselves publicly by wearing sea-green ribbons. As House of Lords informer George Masterson reported, Lilburne's agents went "out into every city, town and parish (if they could possibly), of every county of the kingdom, to inform the people of their liberties and privileges, and not only to get their hands to the Petition." Lilburne raised money, held rallies, responded to adversaries. "We must own some visible authority for the present," Masterson quoted Lilburne as saying, "or else we shall be brought to ruin and confusion, but when we have raised up the spirits of the people through the whole kingdom ... we shall force them to grant us the things we desire."

Imprisoned Again

In January 1648, as a result of Masterson's tips, Parliament ordered Lilburne to stand trial for sedition and treason—and he was again imprisoned. He wouldn't stop talking. "I fell of preaching law and justice out of Sir Edward Coke's *Institutes* (then in my hands), and the Parliament's own declarations, to the soldiers that guarded the House, telling them that they were raised to fight to preserve the liberties and freedoms of England, but not to destroy them, which they must of necessity do if they laid violent hands upon me to force me to prison upon the House's illegal warrant, and in making me a slave they subjected themselves to slavery." The soldiers fell under his spell and had to be replaced with tough Puritan recruits. Lilburne reported that he was saved when his wife defiantly stood between him and soldiers brandishing their swords.

Cromwell faced the prospect of renewed civil war. There wasn't any settlement with King Charles I. Scottish forces seemed likely to cross into England at any moment. The English navy vowed its loyalty to the king and moved to blockade London. Accordingly, the House of Commons needed support from the Levellers, who had presented petitions with over 8,000 signatures demanding Lilburne's release. On April 18, 1648, it voted to drop charges against Lilburne. The next day, the House of Lords concurred. Parliament further voted Lilburne £3,000 as compensation for his suffering in prison ever since the Star Chamber proceedings—but Lilburne refused to accept any taxpayer money.

By November, Cromwell had crushed the king's forces, and many in the Army wanted to execute the king. But Lilburne declared that liberty depended on a balance of power: "I look upon the King as an evil man in his actions, and divers of his party as bad: but the Army has cozened us in the last year; and fallen from all their promises and declarations, and therefore could not rationally any more be trusted by us without good cautions and security ... and the Parliament as bad as they could make them; yet there being no other balancing power in the Kingdom against the Army but the King and Parliament, it was to our interest to keep up one tyrant to balance another."

It became apparent that Army officers might prevail, and Lilburne met with Commisary-General Henry Iverton about a commitment to Leveller principles. But they raised objections, especially to religious toleration and representative government. While Lilburne was hoping to resolve constitutional issues, Army officers grabbed power. On December 6, Colonel Thomas Pride forcibly prevented 240 Presbyterian Members of Parliament from entering the House of Commons, thereby purging opponents of the Army. As pressure mounted to hold a special trial for King Charles and execute him, Lilburne countered that such a trial would be a treacherous step backward away from a rule of law, and that there wouldn't be anyone left to limit the power of the Army. The king was beheaded on January 30, 1649. Cromwell hailed this as an event "which Christians in after times will mention with honor."

Lilburne proved to be more perceptive than John Milton, who had rushed into print with a pamphlet defending the execution. Milton

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put all his confidence in Cromwell, whom he referred to as "our chief of men," and he worked as a government secretary in Cromwell's emerging dictatorship.

Lilburne picked up his pen again. In *Englands New Chains* (February 1649), he lamented, "where is that liberty so much pretended, so deerly purchased?" He attacked the purged "Rump" Parliament—which consisted of 60 or 70 Members—for bypassing trial by jury, interrogating a Member about his religion, passing a law to conscript seamen, imprison people for debt, and enforce restrictions on printing. He renewed his call for ending religious tithes, government-granted monopolies, and restrictions on printing.

"John o' the Tower"

In March, Army officers dispatched about a hundred soldiers to seize Lilburne in his room at Winchester House. He, along with Richard Overton, William Walwyn, and Thomas Prince, were taken to Parliament and summoned before Oliver Cromwell's Council of State, which demanded to know if he was the author of *Englands New Chains*. He refused to cooperate, protesting that the officials were reviving high-handed practices from the Star Chamber. Then he told the crowd gathered outside what was going on. Cromwell, frustrated by the intransigence of these Levellers, reportedly thundered: "I tel you, Sir, you have no other Way to deale with these men, but to break them in pieces . . . if you do not break them, they will break you!" Accused of treason, they were sentenced to the Tower of London.

Levellers circulated petitions for "honest John o' the Tower," signed by some 40,000 people. They held rallies where people displayed their sea-green ribbons. People sang about "the bonny Besses in the sea-green dresses." Cromwell told his Council of Officers: "I thinke there is more cause of danger from disunion amongst ourselves than by any thinge from our enemies."

Lilburne, Overton, Walwyn, and Prince issued a new *Agreement of the People*, which elaborated on their libertarian views. When Cromwell heard about it, he reportedly fumed that "the Kingdome could never be setled so long as Lilburne was alive, and that either he would stop his mouth or burst his Gall, rather than run the hazard of such discontents and mutinies as are dayly contracted in the Army by meanes of his Seditious scribbling."

In France and Scotland, royalists recognized the late King Charles's son Charles as the legitimate successor, and there were reports that royalist forces were assembling in Ireland. Accordingly, Cromwell planned a military campaign to subdue Ireland, which had been revolting against English rule since 1641. But Levellers resisted. They gained much support among soldiers who hadn't been paid for their previous campaigns.

Soldiers plotted revolt in Salisbury, Banbury, Aylesbury, Oxford, Lancaster, Plymouth, Bristol, Carlisle, Windsor, Derbyshire, and Yorkshire. Cromwell captured hundreds of rebels and hauled the ringleaders before firing squads. Twenty-three-year old Robert Lockier led about 60 men to seize the regimental colors and lock themselves inside London's Bull Inn until their claims were satisfied. Cromwell captured him and ordered him shot, and the Levellers gave him a farewell fit for a general—more than a thousand soldiers in his funeral procession, his coffin covered with sprigs of rosemary dipped in blood. Four regiments rebelled, and Leveller agitation threatened a widespread mutiny, but Cromwell struck fast, crushing the Levellers at Burford in May 1649.

Cromwell promoted a holy war against Ireland. When he learned that Protestant royalists were based in Drogheda and Wexford, on Ireland's east coast, Cromwell ordered a massacre that Irish rebels would never forget. "The Enemy were about 3000 strong in the Town," he reported after storming Drogheda. "I believe we put to the sword the whole number of the defendants . . . ordered by me to put them all to the sword. . . . I am persuaded this is a righteous judgment of God upon these barbarous wretches. . . ." After slaughtering everybody in Wexford, Cromwell suggested that the town was fair game for English settlers. Cromwell transferred title for vast Irish lands to English

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owners. Historian George Macaulay Trevelyan observed: "In Ireland as Oliver left it and as it long remained, the persecuted priests were the only leaders of the people because the English had destroyed the class of native gentry. The Cromwellian settlement rendered the Irish for centuries the most priest-led population in Europe."

As Lilburne's two sons were dying of smallpox, he issued another pamphlet from the Tower of London, *The Legal Fundamentall Liberties* (June 1649). It attacked Army officers for ruling "over us arbitrarily, without declared Laws, as a conquered people.... And besides ... we would not trust their bare words in generall onely, for they had broke their promise once already, both with us and the Kingdom; and he that would break once, would make no conscience of breaking twice, if it served his ends."

Out on bail to visit his family, Lilburne further escalated attacks during the summer of 1649. He aimed to incite rebellion with his pamphlet *An Outcry of the Youngmen and Apprentices of London* (August 1649). Addressing the soldiers, he wrote: "Do you justify these actions done in the name of the army? Do you uphold the *Agreement of the People* so far as to use your swords in its defense? ... We earnestly beseech you to acquaint us whether from your hands ... we may expect any help or assistance in this our miserable distressed condition.... You ... the private Souldiers of the Army, alone, being the instrumentall authors of your own slavery and ours." No wonder Cromwell reportedly resolved that "either Lilburne or himself should perish for it."

Cromwell seems to have feared there might be a dangerous backlash if Lilburne were executed. He couldn't be court-martialed, since he wasn't in the army. If he were charged with sedition, he could be expected to document a case that Cromwell's "Rump" Parliament and Council of State violated well-established English law. Levellers taunted Cromwell:

> "A Fig for the Rascals, whate'er they can do,
> Though their plots are laid deep, yet John's are so too."

Lilburne Charged with High Treason

On September 14, 1649, Attorney-General Edmund Prideaux demanded to know if Lilburne had written *An Outcry of the Young Apprentices of London*, but Lilburne denied the government's right to question him. A warrant for his arrest was issued five days later, and at the Guildhall, London, he was charged with high treason.

"Dressed carefully in doublet buttoning down to the hips," wrote biographer Pauline Gregg, "with lace at the neck and cuffs, trousers slashed and decorated, good boots and spurs, there was nothing at first glance to indicate the struggle he had been through. It was apparent, however, that strife over the years had coarsened his features, that the delicacy of the young man's face had gone. The disfigurement caused by his eye injury many years before gave his face in repose a slightly saturnine look. He no longer curled his hair back from his ears, as he had done as a young man, but let it hang to his shoulders, slightly grizzled and somewhat unkempt. The expanse of forehead was more apparent than ever, and the profile still showed the high ascetic nose. It was perhaps in the eyes and the mouth that the greatest difference showed. At twenty-three Lilburne held the simple belief that the demonstration of an injustice led to its abrogation. Seven years later disillusionment and bitter struggle had left their mark in the set of his mouth and the challenge in his eyes."

As always, Lilburne handled his own defense. He caught the Attorney-General and judge by surprise. They had expected him simply to express general principles and deny that the court had jurisdiction. Instead, with Edward Coke's *Institutes* and other law books by his side, he tied up the proceedings with one technical objection after another. He demanded to see the indictment against him. He picked apart circumstantial evidence that he was the author of *An Outcry of the Young Apprentices of London*. He noted that the "Rump" Parliament's sedition law was enacted after he had already been imprisoned in the Tower of London. Despite the judge's

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objections, he repeatedly told the jury that they were empowered to issue a verdict on laws as well as the facts in his case.

The trial was over in two days, and he won a stunning acquittal. Levellers struck a silver and copper-gilt medal in his honor. It showed his picture and was inscribed with these words: "John Lilburne saved by the power of the Lord and the integrity of his jury who are judge of law as wel as fact. Oct. 26, 1649."

Unfortunately, he got into disputes while trying to collect rent from former royalist properties given him as compensation for his unjust imprisonments. One of the cases was judged by Parliament, which saw an opportunity to get even: in December 1661, Lilburne was fined £7,000, banished from England, and threatened with execution if he ever returned. In Holland he read books like Plutarch's *Lives* and John Milton's *Defense of the People of England*. He corresponded with friends in England and met with exiles, his every move watched by spies—royalists blamed him for the execution of King Charles I, while Cromwell's people suspected he was conspiring with royalists. Meanwhile, he wasn't earning any money, and Elizabeth Lilburne pawned household goods to make ends meet.

The only institution which conferred some legitimacy on Cromwell's regime, by now known as the Protectorate, was the Long Parliament, which had sat for a dozen years without an election. In 1653, Lilburne broke his discreet silence and wrote *L Colonel John Lilburne Revived* which encouraged people to demand new Parliamentary elections. On April 20, 1653, Cromwell dissolved the "Rump" Parliament. Rather than take the risk of elections, he asked congregational churches to nominate worthy candidates from which the regime's Council of Officers would make selections.

Lilburne inquired if he could get a pass to return home but was asked if he would stop making trouble, and he replied: "I am as free born as any man breathing in England (and therefore should have no more fetters than all other men put upon me)." Weeks went by, but no pass arrived, and the impatient Lilburne crossed the English Channel on June 14. The next day, he was captured by sheriffs and brought to Newgate prison. Awaiting a likely trial, he wrote another pamphlet, *Plea in Law*. He harangued the court about his right to see the indictment, and eventually he got a copy. He disrupted proceedings by raising technicalities and challenged the legitimacy of the law which was the basis for it. He played to the jury. He buttressed his case by reading from Edward Coke's *Institutes*. He countered allegations of his royalist ties by writing yet another pamphlet. Jury verdict: "John Lilburne is not guilty of any crime worthy of death."

He was returned to the Tower of London, then to the Castle Orgueil on the Isle of Jersey, and later to Dover Castle. He missed the birth of another child. At Dover Castle Lilburne became a Quaker and preached for Quakers when periodically he was let out on parole.

During August 1657, he was on parole in Eltham, visiting his wife. His health began to fail. On August 29, the day he was due back at Dover Castle, he died in her arms. He was only about 43. "I shall leave this Testimony behind me," he had remarked, "that I died for the Laws and Liberties of this nation." Some 400 people followed his plain wood casket for burial in a Bethlehem churchyard near Bishopsgate.

Oliver Cromwell died the following year, and his son Richard tried to hold the Puritan Protectorate together, but people had had enough of it. Factions within the Army began to fight one another. Fearing chaos, Parliament turned to the Stuart heir who became King Charles II. He didn't, however, regain all the obnoxious powers that his father had possessed. Royal prerogative courts like the Star Chamber never came back. Parliament, not the king, controlled taxation. This was part of John Lilburne's lasting legacy.

Many of his daring demands for criminal justice reform came true, too. Historian George Macaulay Trevelyan observed, "the Puritan Revolution had enlarged the liberty of the accused subject against the prosecuting Government, as the trials of John Lilburne had shown. . . . Questions of law as well as of fact were now left to the Jury, who were free to acquit without fear of consequences; the

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witnesses for the prosecution were now always brought into court and made to look on the prisoner as they spoke; witnesses for the defense might at least be summoned to appear; and the accused might no longer be interpellated by the King's Counsel, entangled in a rigorous inquisition, and forced to give evidence against himself. Slowly, through blood and tears, justice and freedom had been advancing." Added historian H. N. Brailsford: "thanks to the daring of this stripling, English law does not aim from the first to last at the extraction of confessions. To Americans this right appeared so fundamental that they embodied it by the Fifth Amendment in the constitution of the United States."

A Forgotten Man

But Lilburne became a forgotten man. His pamphlets were unsigned and easily lost. His many stirring lines were buried amidst voluminous prose about specific legal cases which later generations didn't care about.

The next thinker to develop a bold vision of liberty was the philosopher John Locke, whose *Second Treatise on Government* presented a compelling case for natural rights, private property, representative government, a separation of powers—and the right of rebellion if government thwarted individual liberty. But Locke seems not to have read writings by Lilburne or any of the other Levellers. Oxford University scholar Peter Laslett did conclude, though, that it was "from conversation and casual contact, not from documentary acquaintance, that Locke inherited the fruit of the radical writings of the Civil War."

Under Charles II, vengeful Parliamentary royalists, eager to get even for their suffering during Cromwell's regime, enacted the "Clarendon Code." It barred religious dissenters (those who preached against the Church of England) from entering a town or city. It provided prison terms for anybody caught in a dissenting worship service. There were fears of intensified persecution when, in 1679, Charles II became seriously ill, because the likely successor was his brother James, who was an ardent Catholic.

The Earl of Shaftesbury (Anthony Ashley Cooper) and his compatriots in London's Green Ribbon Club—the name recalled Leveller days—promoted the succession of the Duke of Monmouth (James Scott), the happy-go-lucky son of Charles II by one of his court mistresses. Monmouth gathered a military force and marched from town to town, greeted by bonfires and church bells. By 1682, Shaftesbury, Algernon Sidney, Richard Rumbold, and others in the Green Ribbon Club contemplated a general insurrection. Charles II struck back, and Shaftesbury fled to Holland, but at Rumbold's Rye house, remaining Green Ribbon rebels plotted the king's assassination. They were caught and executed. Rumbold, who had been a Leveller, delivered a famous scaffold speech affirming Leveller principles. "I am sure there was no man born marked of God above another," he declared, "for none comes into the world with a saddle upon his back, neither any booted and spurred to ride him."

Thomas Jefferson adapted Rumbold's phrasing in one of his last letters, June 24, 1826: "All eyes are opened, or opening, to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth, that the mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred ready to ride them legitimately, by the grace of God."

English historian John Richard Green was among the few nineteenth-century authors to recognize the crucial importance of the Levellers. "For the last two hundred years," he wrote, "England has been doing little more than carrying out in a slow and tentative way the schemes of political and religious reforms which the army propounded at the close of the Civil War."

Behind many of our most fundamental civil liberties there stood John Lilburne, a mere apprentice who helped develop a bold new vision of liberty, took a principled stand, risked his life, defied tyrants, and got his story out. He suffered that we might be free. □

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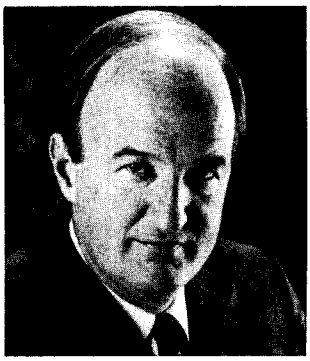
The Freeman
May 1997



What's the Best Measure of Inflation?

"The Consumer Price Index overstates increases in the cost of living by about 1.1 percentage point a year."
—Michael Boskin, Stanford University[1]

According to recent surveys, most professional economists believe that the Consumer Price Index (CPI) consistently overstates the cost of living in the United States by one percentage point or more. Even pro-market economists such as Michael Boskin and Milton Friedman assert that the CPI, which is prepared monthly by the Bureau of Labor Statistics, exaggerates changes in the living expenses.

As a result of these studies, the government hopes to establish a more accurate CPI and thus save Washington billions of dollars. The CPI is used to index federal taxes and Social Security payments. A lower CPI could increase tax revenues by $70 billion and reduce Social Security checks by $75 billion over a five-year period. It could substantially reduce the federal deficit.

The CPI is determined each month by a survey of prices of 364 items that compose a typical bundle purchased by urban consumers during the base period, 1982-84. Items include food, consumer goods and services, rent, and property taxes. Each month several hundred survey workers visit approximately 21,000 stores in urban areas and collect prices on these items. The CPI is a market basket index of these items, valued according to a weighted average.

What's Missing in the CPI?

Unfortunately, the price-index methodology is defective in two ways. First, the current CPI fails to take into account quality improvements, new products, substitutes, and sale prices. As a result of these omissions, many economists argue that the CPI tends to *overestimate* the cost of living in the United States.

Second, the CPI does not include all items determining an individual's cost of living, and this fact may cause the CPI to consistently *underestimate* the cost of living. How many people buy a fixed market basket of goods and services that match in any way the government's survey for "an urban family of four"?

For example, I have two children in college. According to government surveys, college tuition and related expenses have risen at double-digit rates over the past decade or two. But the CPI doesn't cover college expenses.

My family and I also travel frequently outside the United States. Overseas the dollar has lost much of its purchasing power over the past 20 years. How does the CPI reflect the dollar's decline? It doesn't.

Crime has been a problem in our community, so we bought an expensive security protection plan for our home. The CPI

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doesn't include such an expenditure in its fixed basket of services.

What if interest rates rise? The CPI does not directly account for the costs of borrowed money or mortgage payments.

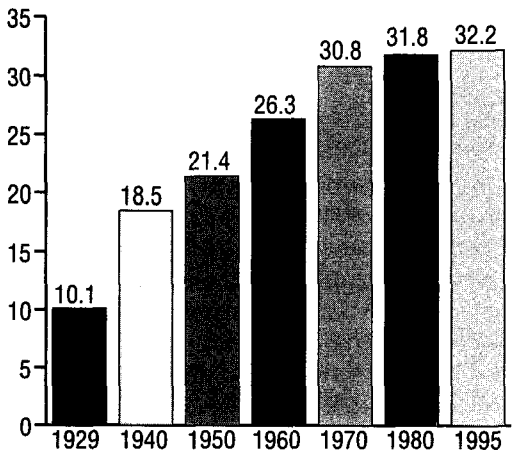
The Biggest Omission

But probably the most serious defect of the CPI is that it does not register the largest item in everyone's household budget—taxes. The CPI covers property taxes, but not sales taxes or income taxes. Today, government expenditures (the most accurate measure of total taxation) represent 32.2 percent of the economy (GDP). If the CPI is supposed to represent the *cost of living*, doesn't it make sense that it should include taxation, the cost of government?

Taxes and government spending have been rising rapidly throughout the twentieth century, as the following graph shows:

The Growth of Government Expenditures, 1929–1995

(as a percent of GDP)



Source: Economic Report of the President

Since 1982–84, the base period for the current CPI, total government expenditures have increased from $1.1 trillion to $2.5 trillion, a 127 percent increase. During this same period, the CPI has risen only 60 percent. Clearly, if taxes were included in the CPI, it would be rising at a much higher rate.

In short, you have two major deficiencies in the CPI, one that overestimates inflation and another that underestimates inflation. Which force is stronger? I don't know, but it would be national folly to include the former and ignore the latter.

Mises to the Rescue

In determining the best measure of inflation, we should remember the words of Ludwig von Mises. Mises refers to the "level" of prices as "inappropriate" and "untenable" because "changes in the purchasing power of money must necessarily affect the prices of different commodities and services at different times and to different extents." He goes on to say, "The pretentious solemnity which statisticians and statistical bureaus display in computing indexes of purchasing power and cost of living is out of place. These index numbers are at best crude and inaccurate illustrations of changes which have occurred."[2]

According to Mises, inflation (deflation) is defined as increases (decreases) in the supply of fiat paper money by government, not changes in the prices of individual goods and services. According to this definition, the cost of living and declining purchasing power of the dollar have been extraordinarily and unnecessarily high in modern times. If we use the monetary base (funds on deposit by the Federal Reserve) as a measure of fiat money, the money supply has increased 141 percent since the 1982–84 base period. If we use a broader definition, M2 (coins, currency, checking accounts, and money market funds), the money supply has increased 75 percent. Either way, monetary inflation has been significantly higher than the CPI's 60 percent. Perhaps increases in the money supply should be used as a better gauge of inflation. But it wouldn't make Washington happy—it would mean less tax revenue and higher Social Security checks. □

1. *Wall Street Journal*, February 25, 1997, p. A24. Professor Boskin headed a government panel investigating the CPI.

2. Ludwig von Mises, *Human Action*, 3rd ed. (Regnery, 1966), p. 222.

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BOOKS

Capitalism: A Treatise on Economics

by George Reisman

Jameson Books • 1996 • 1,096 pages • $95.00

Reviewed by Jim Powell

In this monumental work (8½ by 11-inch pages), Reisman offers the most comprehensive defense of capitalism ever written. He covers fundamental principles and a wide range of policy issues. He discusses controversies—especially environmentalism—which have emerged since Ludwig von Mises and Ayn Rand wrote their immortal books.

Reisman attempts something nobody else has done: combine some doctrines from classical economics, plus the free-market economics of the Austrian School and the pro-capitalist moral vision of Objectivism. He is perhaps in a unique position to pull this off, having long been a friend and intellectual compatriot of Ayn Rand, and having attended Ludwig von Mises's New York University graduate seminar for years. Reisman translated Mises's work on methodology, published as *Epistemological Problems of Economics*.

Reisman, now an economics professor at Pepperdine University, tells how this magazine helped him on his intellectual journey more than four decades ago. "It was one of the early issues of *The Freeman*," he recalls, "that I had my first exposure to the writings of Ludwig von Mises. . . . I could see that Mises knew the history of economic thought and that he was presenting a strong, self-assured position. . . . I bought *Socialism* and over the coming months had one of the very greatest intellectual experiences of my life, before or since. . . . Here at last was a great, articulate defender of the economic institutions of capitalism."

Although a thoroughgoing Austrian, Reisman believes that classical economists made some enduring contributions to the case for capitalism. "A leading application of the classical doctrines, of which I am especially proud," he says, "is a radically improved critique of the Marxian exploitation theory. In my judgment, classical economics makes possible a far more fundamental and thoroughgoing critique of the exploitation theory than that provided by Böhm-Bawerk and the Austrian School . . . [and] also provides the basis for greatly strengthening the refutation of the ideas of Keynes."

From classical economics, Reisman takes "the recognition of saving and productive expenditure, rather than consumption expenditure, as the source of most spending in the economic system. Closely related to this, I have brought back the wages-fund doctrine and have made clear the meaning of John Stuart Mill's vital corollary proposition that 'demand for commodities does not constitute demand for labor.' I have reinstated Adam Smith's recognition that in a division-of-labor society the concept of productive activity must incorporate the earning of money and that because of its failures to earn money, government is a consumer. . . . I have reintroduced Ricardo's insights that capital can be accumulated not only by saving but also by anything else that serves to increase wealth. . . . The main thing I have discarded in classical economics is any notion that wages are determined by the 'cost of production of labor.' "

Many Austrians will surely counter that Austrian economics already builds upon what was of enduring value in classical economics, but as noted, Reisman learned economics from Mises himself, and he labored some 18 years on this book, so his views aren't offered on a whim. *Capitalism* will be a stimulating read even if you disagree with him on some important theoretical issues.

Rand's influence is perhaps most apparent in Reisman's discussion of individual rights, liberty, competition, monopoly, and environmentalism. Like Rand, Reisman sees progress as "a self-expanded power of human reason to serve human life." He draws on her insights when he talks about philosophical influences which are essential for capitalist civilization—and philosophical influences which threaten to destroy it.

Capitalism climaxes with a radical agenda for liberty. Again reflecting Rand's influence, he presents a powerful moral and practical case for abolishing government schooling, minimum-wage laws, compulsory unionism, Social Security, Medicare, welfare, business subsidies, rent controls, income taxes, fiat money, and other types of government intervention which cause so much misery.

For instance, after explaining his proposal for cutting off the flow of taxpayer money to government schools—thus going far beyond the current debate over school vouchers—Reisman adds: "the public education system is inherently unsuited to teach any subject about which there is controversy. This is because teaching such a subject necessarily entails forcing at least some taxpayers to violate their convictions, by providing funds for the dissemination of ideas which they consider to be false and possibly vicious. On the basis of this principle,

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the public schools should be barred from teaching not only religion, but also history, economics, civics, and biology. In the nature of things, only private schools, for whose services people have the choice of paying or not paying, can teach these subjects without violating the freedom of conscience. The fact that barring the public schools from teaching these subjects would leave them with very little to teach, and place them in a position in which they may as well not exist, simply confirms the fact that public education should be abolished." Amen!

Reisman does a fine job explaining the creative genius of capitalism, and the moral dimension really makes the book compelling. He articulates a rigorous defense of individual rights, open markets, free trade, hard money, and freedom of movement. *Capitalism* is a classic. □

Mr. Powell's biographical profiles of the heroes of liberty appear monthly in The Freeman.

The Pyramid

by Ismail Kadare

Arcade Publishing • 1996 • 161 pages • $21.95

Reviewed by Richard A. Cooper

Albanian novelist Ismail Kadare unveils the mystery behind structures of statist tyranny in his perceptive fable *The Pyramid.* On the surface, it is a reconstruction, a retelling of the actions of the pyramid-building Pharaoh Cheops of Egypt. But, like the real pyramids, it has its own secrets to be revealed. It is a tale of tyranny of all times and places, wherever and whenever those who hold power seek to enshrine their power and their ideas on the lives and backs of the ruled. I rank *The Pyramid* among the great literary depictions of tyranny and its consequences.

The new pharaoh Cheops dismays his courtiers by dropping hints that he may not construct his own pyramid. They fret, but know not why they worry; they think the pyramid should be built, but only because it is traditional. Eventually, they find the answer in their ancient texts as a magic prescription for the health of state. "To launch works colossal beyond imagining, the better to debilitate its inhabitants, to suck them dry. In a word, something exhausting, something that would destroy body and soul, and without any possible utility. Or to put it more precisely, a project as useless to its subjects as it would be indispensable to the State."

Why is the pyramid indispensable to the State? The pyramid is not just *a* physical construction, but a psychological structure that compels submission. Kadare, from Stalinist Albania, zeroes in on his target. "In the first place, Majesty, a pyramid is power. It is repression, force, and wealth. But it is just as much domination of the rabble; the narrowing of its mind; the weakening of its will; monotony; and waste. O my Pharaoh, it is your most reliable guardian. Your secret police. Your army. Your fleet. Your harem. The higher it is, the tinier your subjects will seem. And the smaller your subjects, the more you rise, O Majesty, to your full height."

Kadare gives us the myriad details which would accompany such a project, but with a peculiar resonance for the survivor of the twentieth century, our age of total war and the total state. The conscription of labor and other resources, the reports of police, and the plans of the master planners all give us a sense of eerie recognition in our more enlightened age of Hitler, Stalin, and Pol Pot.

The pyramid project drags the nation from one reported conspiracy to another. Arrests, tortures, and executions construct the pyramid just as much as granite, basalt, and alabaster. "Every morning people learned with a shudder of terror the names of those arrested during the previous night." This is an Egypt as police state, with its inhabitants to be molded to the whims of their rulers. But Egypt, of course, is a stand-in for its predecessors and successors in the sorry spectacle of state building.

From the Egypt of the Pharaoh Cheops, Kadare takes us on a strange excursion in time and place to the empire of Central Asian conqueror Timur the Lame (also known as Tamerlaine), who erects another pyramid. This Central Asian pyramid is constructed of skulls of the conquered. From the distant past he transports us again, this time to Communist Albania's capital of Tirana for another state building exercise. Here again the pattern of State power underlies the "modern" structure.

Finally, from Enver Hoxha's Communist Albania, Kadare carries the reader to our own time. With the poet's insight and richness of image, Ismail Kadare exposes how the structures of Statism reveal their true nature if we but look. *The Pyramid* will no doubt be compared to George Orwell's 1984. I think it a superior book, with its combination of everyday realistic details and the voice of historical experience underneath the crushing burden of the structure. The details of the domination differ. The causes invoked differ. But the blueprints are telling in their similarities. □

Richard A. Cooper makes his living as an export-import manager while exploring ideas as a freelance writer.

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Sovereign Nations or Reservations? An Economic History of American Indians

by Terry L. Anderson

Pacific Research Institute for Public Policy • 1995 • 202 pages • $19.95

Reviewed by Bruce L. Benson

I took a couple of Prometheus-award-winning libertarian science fiction novels and Terry Anderson's *Sovereign Nations or Reservations?* along on a recent vacation. I chose to read the science fiction first, but that was a mistake—Anderson's book is better. Not only is it very well written, but it tells a compelling *true* story that provides a much more devastating critique of the state and a much more convincing case for basing a society on individual freedom and private property than any fictional story can. Economic history may not sound as exciting as science fiction, but Anderson's version is, as he debunks a large number of popular myths about Indians that have impeded a clear understanding of the lack of economic advancement on Indian reservations.

Among the myths that fall is the claim that prior to the arrival of Europeans, Indians lived in almost idyllic societies where everything was communally owned and shared, and where nature was so revered that Indians only took what they could consume. Anderson explains that in reality, North American Indians developed private property rights in resources whenever the benefits of privatization exceeded the costs. Furthermore, while Indians certainly had a great deal of respect for nature, as anyone trying to subsist in a harsh environment must, their techniques for harvesting common pool resources such as buffalo (where the cost of establishing private property rights were prohibitive) often led to tremendous waste (e.g., a large percentage of the meat from buffalo driven over buffalo jumps was simply left to rot, and large areas of prairie were burned to force buffalo into traps). It was only after the European introduction of the horse (a privately owned resource among Indians) that less wasteful hunting techniques developed.

Another politically correct myth is that Indians were continually coerced and exploited following the arrival of Europeans. The history of Indian-White relations in North America breaks roughly into two periods. Before the United States government began maintaining a standing army, negotiation dominated with relatively few violent confrontations. After the Mexican-American War this began to change, and especially after the Civil War violence became the primary means of resolving disputes. Anderson convincingly attributes much of this change to the incentives facing the military bureaucracy—incentives to secure their jobs, to expand, and to create an environment conducive to promotions.

Similar bureaucratic incentives facing the Bureau of Indian Affairs (BIA) explain the almost total lack of effective economic development on Indian reservations since the Indian Wars, in opposition to the myth that there is something about Indians themselves which prevents them from adapting to market-based economic activities. The politically correct suggest that Indian culture and heritage, their love for nature and communal nomadic life-style, stand in the way of their assimilation into the modern market economy. Others see some inherent flaw in the Indian people. Both are wrong. American Indians have always adapted to changing conditions. When Indians were placed on reservations, they quickly began to adapt. Agricultural activity was developing quite rapidly until the BIA and Congress started meddling with the evolving property rights systems on reservations. Then, through a series of statutes reflecting the political demands of white and bureaucratic interest groups, the institutions and property rights on reservations were changed, undermining individual Indians' incentives to invest in productive economic activity while creating incentives to focus on group rent seeking.

The variation in productivity across reservations today reinforces Anderson's main point. Productivity is significantly higher on reservations where a relatively large portion of the land is privately owned as compared to land held in trust by the BIA or land that is tribally owned and administered. Furthermore, tribal governments that are constitutionally constrained support more economic growth than tribal governments that can arbitrarily change the rules of the game and redistribute wealth.

The story Anderson tells is not unlike the story that can be told about less developed economies all over the world. He tells it very well. Individuals everywhere adapt to the incentives and constraints that they face: secure private property creates incentives to produce and expand wealth, and centralized power creates incentives to pursue other peoples' wealth. □

Dr. Benson is Distinguished Research Professor in Economics at Florida State University.

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Jefferson's "Bible": The Life and Morals of Jesus of Nazareth

by Thomas Jefferson

American Book Distributors • 1996 • 140 pages • $15.00 (plus $3.50 shipping) paperback

Reviewed by William H. Peterson

". . . the Laws of Nature and of Nature's God."

Those eight words and their underlying precepts in the Declaration of Independence, says Judd W. Patton, associate professor of economics at Bellevue University in Nebraska, in his introduction to this book, account for much of the success of the American Experiment in—savor the phrase—self-government. But what the Founding Fathers really meant by this phrase was government of self by American citizens and their leaders in accordance with *a strong moral code*. In *Jefferson's "Bible": The Life and Morals of Jesus of Nazareth*, we learn much about what Jefferson thought that moral code to be.

The background of Jefferson's Bible is interesting. In 1819–1820 he decided to set forth the "pure moral principles" of Christianity. Reproduced here are the title page and table of contents in Jefferson's own handwriting. He literally cut out and pasted verses from Matthew, Mark, Luke, and John into an 82-page book. In 1813 he had described their wisdom as "the most sublime and benevolent code of morals which has ever been offered to man."

This unpublished work was held in the Jefferson family until it was found by Cyrus Adler in 1886. Adler purchased it for the Smithsonian Institution in Washington in 1895, and it was published in 1904. For the next half-century, ending in the 1950s, a copy of Jefferson's "Bible" was presented to each new senator and representative at his swearing-in ceremony.

This is a handsome, well-thought-out edition. Fifty moral principles, including the Ten Commandments, are presented. Here are some of them:

Be a peacemaker.
Avoid anger.
Be a light to the world.
Don't be hypocritical.
Be a forgiving spirit.
Love your neighbor as yourself.
Do not steal. (Eighth Commandment)
Do not covet. (Tenth Commandment)
Be diligent in all you do.
Do unto others as you would have others do unto you. (The Golden Rule)

In addition, 38 parables are offered. These include the parables of the lost sheep, the wedding feast, the talents and the three servants, Lazarus and the rich man, the hidden treasure, the lamp under the basket, and the instruction to build on rock and not on sand. All point up a key moral or truth.

The foreword by nationally syndicated columnist William Murchison of the *Dallas Morning News* is on target. Mr. Murchison finds our times "despiritualized" (or, to use the perception of Gertrude Himmelfarb, demoralized and *de-moralized*). He agrees wholeheartedly with the Jefferson premise that the practice of morality is essential for the well-being of society. He finds it ironic that use of this book in the classroom, even on the authority of Thomas Jefferson, will likely be prohibited—while, let me note, sex education and "free" condom distribution go merrily on.

This edition highlights moral precepts in red and indexes the precepts and parables by page and New Testament chapter and verse. Judd W. Patton deserves credit for republishing an important piece of American history. He hopes the practice of giving a copy to each representative and senator, beginning with the 105th Congress in 1997, can be revived.

I hope he is right and recall a relevant quotation inscribed in marble in the Jefferson Memorial in Washington, D.C.: "I have sworn upon the altar of God, eternal hostility against every form of tyranny over the mind of man." *Jefferson's "Bible"* is worth reading and contemplating. □

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Migrations and Cultures

by Thomas Sowell

Basic Books • 1996 • 516 pages • $30.00

Reviewed by George C. Leef

It is an article of faith among egalitarian opponents of laissez-faire capitalism that the statistical discrepancies one finds in a free society are proof of its immorality. They note "abnormally" high concentrations of people with a certain characteristic among the poor or among the rich and

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conclude that the state must step in to cure the apparent inequity. Hence, their strident demands for affirmative action and other policies to promote "equality."

The implicit assumption in this line of reasoning is that people ought to be randomly distributed throughout income groups and occupations. To the egalitarians, something is abnormal and wrong if people from Group A have a high poverty rate and people from Group B have a negligible poverty rate; if people from Group X tend to dominate in profitable businesses while people from Group Y are concentrated in menial labor. It is this assumption that Thomas Sowell has spent many years of his life refuting. After *Migrations and Cultures*, it lies exposed as sheer but dangerous nonsense.

The book concentrates on the migrations of six groups of people: Germans, Japanese, Italians, Chinese, Jews, and Indians. Sowell notes that these groups were far from homogeneous (northern and southern Italians are quite culturally different, for example), but took with them stocks of skills and, more importantly, habits wherever they went around the globe. Often, the newcomers brought skills and habits—a culture—that was markedly different from that of the indigenous population. Naturally, the natives and immigrants would not instantly and randomly mix, but rather each population would tend to concentrate in the fields where their respective cultures gave them comparative advantages.

Several traits stand out as common among the six groups: a willingness to engage in hard work, a propensity to save a great deal, even of meager earnings, and placing a high value on education. When people from cultures with these characteristics mixed with people from cultures without them, the results couldn't be statistical randomness. Indeed, Sowell points out, backward nations have at times eagerly sought immigrants from particular nations precisely because their cultures were expected to help advance economic development beyond what the natives could do. That is why, for example, Germans wound up in Paraguay. These days, nations beg for foreign aid, but luring skilled immigrants was much more productive.

The critical difference between the immigrant groups and the native populations into which they moved was that the immigrants were more *future-oriented.* Hard work, saving, education—these are all attributes of people who are thinking toward the future. Although the immigrants usually started out in extreme poverty, their tenacious pursuit of a more prosperous future led to rising incomes. In contrast, the more present-oriented natives remained economically stagnant. Sowell shows this in case after case. The Chinese in Malaysia, for instance, were far more inclined to entrepreneurship, hard work, and investment than the more relaxed Malays, so it was not in the least "abnormal" that the Chinese became the business and plantation owners for whom the Malays worked.

Unfortunately, the ugly emotion of envy also appears in case after case. The economic success of the immigrant groups usually sparks resentment and violent backlash against them. The depressing thing about *Migrations and Cultures* is that it repeatedly highlights this deep flaw in human nature. Rather than either learning from and emulating the successful or at least conceding them their due, the natives usually claim that they have been "exploited" and seek to confiscate some or all of the wealth of the more future-oriented groups. Political demagogues thrive on these intergroup resentments and have a powerful interest in fanning the flames.

Besides confiscating and redistributing the wealth of the successful, politicians can advance themselves by promoting preferential policies to "solve" the "problem" of underrepresentation among the "disadvantaged" groups. Readers may be surprised to find out that "affirmative action" is neither new nor unique to the United States. The government of Thailand, for example, established employment quotas for Thais and enacted many laws designed to handicap the Chinese back in the 1930s. Similar policies have been followed in Malaysia and, most disastrously, in Sri Lanka, where a once-harmonious country has been transformed into a bloody battleground, thanks to governmental interference with the spontaneous order of the market. Americans should pay attention to the long-term damage that these policies do.

Cultures are not fungible. For all the beating of drums for "celebrating diversity" that we get in America, one thing we don't hear is that certain cultures tend to encourage productive behavior, harmony, and progress, whereas others encourage envy, sloth, and conflict. The multiculturalist insistence that all cultures are equally "valid" and must not be treated "judgmentally" crashes on the rocks of Sowell's meticulous (there are 2,431 footnotes) scholarship. It's fine for young Americans to learn about other cultures, but they also ought to learn that cultures have consequences.

Like Sowell's many other books, *Migrations and Cultures* is a strong antidote to an array of statist clichés. I recommend it highly. □

George C. Leef is book review editor of The Freeman.

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